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Austria	Sch24	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr55	Israel	Shk3.50	Qatar	QR8.50
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.50	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM8.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.50	Malaysia	Rin4.25	Thailand	Bht50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.900
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira30	UAE	Dh7.00
Iceland	IKr100	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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Monday March 5 1990

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THE BALKANS
A sleeping giant awakes
Page 19

World News

UK expected to phase out dumping in North Sea

The UK Government is expected to offer to phase out North Sea dumping of sewage sludge over 10 years to soften international criticism of its environmental record at this week's North Sea conference in The Hague.

Britain, the only member of the European Community still dumping sewage sludge there, faces attack from nations which signed a 1987 clean-up agreement. Page 20

Shamir refusal

Israeli Prime Minister Yitzhak Shamir rejected US and domestic pressure to open Israel's first-ever peace negotiations with Palestinians. Earlier, he held intensive talks with members of his deeply-divided government. Page 20

Ciskei coup

Troops staged a bloodless coup in the nominally independent South African black homeland of Ciskei deposing Mr Lennox Sebe, the president-for-life, and forming a council of state to govern the country. Page 2

Mongolian rally

Thousands of Mongolians rallying for democracy marched on parliament in Ulan Bator demanding sweeping resignations in the ruling Communist Party.

Ecologist appointed

Dr Jose Lutzemberger, Brazil's most prominent ecologist and a thorn in the flesh of successive governments, has been named head of a new conservation agency to be set up by the incoming administration. Page 3

Church-Contra talks

Nicaraguan church leaders will meet Contra rebels this week to discuss guerrilla terms for disbanding, Cardinal Miguel Obando y Bravo said in Managua. The newly-elected alliance will send a delegation to the US as negotiations begin for a peaceful transition of power. Page 2

Swiss violence

A Swiss protest in Berne against state surveillance of citizens ended in violence as scores of youths smashed shop windows, broke into government offices and set fire to a bank and cars. Page 4

Clean air move

Far-reaching changes in US clean air legislation have moved a step nearer as a result of last week's agreement between the White House and the Senate leadership. There is still a long way to go before the bill is enacted. Page 3

Iran-US contact

An Iranian political source said that Iranian and US officials have completed a round of direct talks in Europe on efforts to free Western hostages in Lebanon.

Filipino rebellion

A rebel governor and hundreds of armed followers seized a six-storey hotel and several hostages in the northern Philippines before being forced out in fierce fighting with government troops. Page 4

Kuwaiti talks

Leaders of Kuwait's pro-democracy movement have held more talks with the Crown Prince, Sheikh Saad Abdullah al-Sabah, on their demand for the return of parliament, dissolved in 1986. Page 4

Sudan-Libyan pact

Sudan and Libya have agreed to sign integration pacts to pave the way for a merger in four years, realising progress for Muammar Gaddafi's long-cherished dream of uniting with Africa's biggest country. Page 4

Gulf haggling

Major Gulf oil producers Saudi Arabia, Kuwait and Iraq are still haggling over short-term interests despite a show of unity, Gulf oil analysts said.

Kashmir uprising

A Moslem-inspired uprising in the Kashmir valley has forced thousands of Hindu and Sikh families to flee after threats to their lives and property, officials in India's Jammu and Kashmir state said. Page 3

Lenin stands firm

Bucharest's mayor offered to sell the city's statue of Lenin for $1m as a demolition squad prepared to hoist it from the plinth it has occupied for 30 years. But the statue was resisting all efforts by blowtorch to remove it.

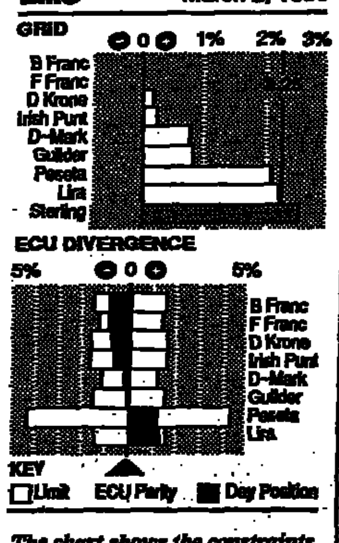
Business Summary

Kaifu assures Bush reform of economy is a priority

Toshiki Kaifu, Japanese Prime Minister, assured President George Bush of the US that structural reform of the Japanese economy was one of the top priorities of his new Cabinet.

Speaking at the end of two days of talks in Palm Springs, California, both leaders promised to intensify efforts to break the stalemate in discussions aimed at reducing the large trade imbalance between their countries. Page 20

EUROPEAN monetary system: The Italian lira stayed at the top of the EMS last week, as funds were attracted into a high yielding member of the system, at a time when worries about German monetary union were depressing the D-Mark. The lira threatened to move above its cross rate limit against the weaker members, but central bank support for the D-Mark pulled the lira back and helped ease any pressure. The unification of the Belgian convertible and financial francs from today was seen as a move to tie Belgium more closely to the EMS. Currencies, Page 31



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the ECU.

MOTOR industry: manual workers at Iveco Ford, Britain's biggest truck maker jointly owned by Ford Motor and Fiat, are to be recommended by union leaders to vote for industrial action over a 9.25 per cent pay offer. Page 20

EUROPEAN Community foreign ministers will consider new Commission ideas for dealing with trade disputes that would strengthen the authority of the Geneva-based Gatt and could put it in conflict with national interests. Page 20

NEW car sales in Western Europe jumped by an estimated 5 per cent in January to 1.25m from 1.19m a year earlier, according to industry estimates. Page 4

TRADE: US AND Soviet officials still disagree on several important aspects of an agreement aimed at abolishing long-standing barriers to bilateral trade. Page 2

CANADA: Alberta government has barred construction of a C$1.2bn ($1bn) Japanese-controlled pulp mill until further studies are made of its impact on the environment. Page 3

HONEYWELL, $6bn US-owned controls and automation business, is contemplating its first manufacturing joint venture in the Soviet Union. Page 4

THE Netherlands is introducing a new "counter" system of selling Dutch government bonds that will be more responsive to the market. Page 23

RENAULT Truck Industries, UK subsidiary of Renault Véhicules Industriels of France, is understood to have made a loss of between £6m ($9.9m) and £8m last year, a sharp deterioration from a loss of £1.5m in 1988. Page 10

MOTOROLA, US electronics and semiconductor manufacturer, will today introduce a range of "Multipersonal" computers designed to serve workgroups of three to 32 users of networked terminals. Page 23

CONTINENTAL Bank, Chicago-based commercial bank, has gone into the business of brokering loan sales – acting as principal and agent in transactions. Page 22

Thatcher faces loss of another minister from Cabinet

By Philip Stephens, Political Editor, and **Alison Smith** in London

MR Peter Walker, the British Minister responsible for Welsh affairs, yesterday delivered a further jolt to the Government of Prime Minister Margaret Thatcher by confirming that he intends to resign from her Cabinet within the next few months.

The announcement marked the second cabinet resignation within two months and came as a fresh set of opinion polls showed that the opposition Labour Party's lead is now its strongest since the early 1970s.

The surveys underlined the intense unpopularity of the Government's reform of local government taxation – the so-called poll tax, or community charge – and pointed to a dramatic Labour victory in the Mid-Staffordshire by-election on March 22, where the Conservatives are defending what would usually be regarded as a rock-solid majority of 14,600.

Mr Walker, 57, who along with Sir Geoffrey Howe, the Deputy Prime Minister, is one of the two remaining survivors from Mrs Thatcher's first Cabinet in 1979, has since then launched a series of thinly-veiled attacks on the Government's economic strategy.

Yesterday, however, he insisted that neither his long-standing differences with the Prime Minister nor the Government's present political difficulties were behind his decision. He had decided to retire from Parliament at the next general election for family reasons. That decision had been taken – and discussed with the Prime Minister – last September.

Mr Walker added that it had been envisaged then that he would leave the Cabinet some time in the spring or early summer, but yesterday's announcement had been forced by newspaper leaks of his intentions.

Mrs Thatcher also emphasised the cordial nature of Mr Walker's departure, praising him in a Downing Street statement for his contributions in a succession of Cabinet jobs – including that of Energy Secretary during the bitter 1984 miners' strike.

Speaking to the Financial Times, Mr Walker went out of his way to stress the backing that he had secured from Mrs Thatcher during his three years as Welsh Secretary. "She has totally supported me and given me everything that I have asked for," he said.

Playing down old divisions over economic policy, he singled out Mr John Major, the Chancellor, and Mr Chris Patten, the Environment Secretary, as two of a new generation of political leaders who shared many of his basic beliefs.

Despite the amicable exchanges, senior ministers acknowledged that the timing of the news was at best "unfortunate".

It also follows the decision in January by Sir Norman Fowler to stand down as Employment Secretary and the acrimonious resignation of Mr Nigel Lawson as Chancellor last October.

Mr Walker's departure, which he said yesterday would be finalised in the next month or so, will also deprive the Government of one of its most skilful politicians.

The Government's slump in the opinion polls and the deep unpopularity of the poll tax with many of its own supporters have brought renewed speculation that the Prime Minister could face another challenge to her leadership later this year.

An ICM poll published in the Sunday Correspondent yesterday showed that Labour, with the support of 52 per cent of the electorate now leads the Conservatives by 19 points.

Reflecting yesterday on his long political career – he joined the Tory shadow cabinet in 1965 and was a senior member of Mr Edward Heath's Government – Mr Walker singled out two moments of particular satisfaction.

The first was his role in defeating Mr Arthur Scargill's miners during the 1984/85 strike, which he regarded as one of the "most significant events in British politics". The second was his decision as Environment Secretary in the early 1970s to gave more than 20 London's theatres government protection.

Background, Page 10; Poll Tax, Page 6; Leader, Page 18;

Kohl attacked over Polish border issue

By Andrew Fisher in Frankfurt

MR Helmut Kohl, the West German Chancellor, came under heavy political attack yesterday for causing resentment abroad and confusion at home over the question of the Polish border.

Both the Free Democrats, the junior partner in the Bonn coalition Government, and the Social Democratic opposition party criticised Mr Kohl sharply for his statement on Friday linking final recognition of Poland's western border with a united Germany to a renunciation of Polish war reparations claims.

The domestic political backlash follows an angry reaction from Poland and signs of mounting concern over the border question among West Germany's allies, both in the US, which has a large Polish community, and in Europe.

By avoiding a clear statement on Poland, Mr Kohl has tried to placate right-wing opinion in West Germany and prevent a loss of votes to the extreme-right Republican Party at federal and state elections this year.

Mr Hans-Dietrich Genscher, the West German Foreign Minister and a member of the Free Democrats, said he wanted to raise the Chancellor's Polish statement, which also included a demand for guaranteed rights for the German minority in Poland, with him this week.

Mr Genscher has been more forthright than the Chancellor in his comments on the Polish border. At the weekend, he sought to calm the situation by saying he did not want to widen the discussion on reparations. Mr Otto Lambsdorff, the Free Democrats' leader, said he was "by no means happy" over the Chancellor's decision to thrust reparations into the debate and said there appeared to be "speech disorders" in the coalition.

Mr Hans-Jochen Vogel, head of the Social Democrats, called Mr Kohl's attitude "adventurous and quite irresponsible." He said the Free Democrats and "reasonable" members of Mr Kohl's Christian Democratic Party should bring the Chancellor to his senses before irreparable damage was done.

Mr Kohl has said Germany could only formally recognise the border with Poland once East Germany had its first freely elected Government. Thus, while not denying the validity of Poland's frontier, he has taken the legalistic line that this can only be settled by a treaty with one Germany.

His prevarication has raised strong feelings abroad. Mr Roland Dumas, France's Foreign Minister, said last week that East and West Germany should assure Poland immediately that the existing border along the Oder and Neisse Rivers was free from doubt.

● Tim Dickson in Brussels adds: Unexpectedly strong

Continued on Page 20

Puzzling time for Soviet voters

By Our Moscow Staff

THE COMPUTER printout stuffed through mailboxes in a central Moscow district advised: "Vote for Shekochikin! He's an entrepreneur!"

The makeshift manifesto went on to assure voters, faced with 42 candidates in yesterday's local elections, that the candidate, whose business card offers "insurance, credit, financial and economic services" was no "sadistic exploiter".

It promised a return to "glorious pre-revolutionary entrepreneurial traditions" and the renaissance of "our Orthodox Russian fatherland".

It did not, however, mention that Mr Shekochikin is a Communist, albeit of a very unorthodox kind to judge by his programme.

The manifesto was a startling demonstration of the desperate efforts being made by the tens of thousands of candidates for seats in the republican and municipal assemblies of Russia, the Ukraine and Belorussia to get 150m Soviet voters to the polls yesterday.

In these topsy-turvy times, membership of the party, along with advanced age and evidence of a successful official career, are instant turn-offs for many voters as they skim the candidates' potted official biographies in the polling station.

"I would never vote for anybody described as the general director of a (state) factory," said one disgruntled Muscovite, who admitted to being the deputy director of an electronics factory himself. "It means he is a failure."

For reformers, aiming to turn yesterday's ballot in the three Slav republics into a fresh defeat for the Communist Party apparatus, the campaign has been an uphill struggle against confusion and apathy among voters.

The poll may be the most democratic regional election for 70 years, but limited access to the media and the printing presses for anti-establishment candidates means that the playing field is anything but level.

In Moscow, supporters of the "Democratic Russia" slate of radical candidates were working till the last minute to publicise their names – confident that the average citizen would back them as long as they could be identified.

In Leningrad, where politics are bitterly polarised between liberals and conservative Russian nationalists, a similar campaign was being waged by the "Democratic Elections '90" movement.

The poll was also expected to give at least a significant minority of Ukrainian voters a chance to show their support for Rukh, the nationalist movement whose leaders favour anything from greater autonomy to outright independence for their republic of 50m people.

And in Belorussia, the electorate was expected to signal its fury over the continuing ecological catastrophe left by Chernobyl.

At a polling station in the

Continued on Page 20.
Sleeping giant awakes, Page 19

Man in the middle: President Mikhail Gorbachev and two of his most-prominent critics voting yesterday, Communist Party hardliner Yegor Ligachev (left), who says the Gorbachev reforms have gone too far, and Party radical Boris Yeltsin, who insists they have not gone far enough.

Partners in Channel Tunnel rail link threaten to pull out

By Kevin Brown, Transport Correspondent, in London

THE two private sector companies brought in by British Rail to help build a high-speed line from London to the Channel tunnel are likely to withdraw "in the near future" unless the Government gives formal indications of support within the next few weeks, it emerged yesterday.

European Rail Link, the joint venture between BR, Trafalgar House and BICC which is developing the project, faces a shortfall of about £1bn ($1.68bn) in financing the £4.5bn line.

Mr Paul Emberley, the joint venture's public relations manager, said yesterday: "We are not about to walk away from this project, but if it continues to prove impossible to solve the difficulties which remain then we shall have to review the position in the near future."

Another senior official, speaking unattributably, said the project would collapse by the early summer without significant progress. "If things are not sorted out in two or three months' time then the boards of BICC and Trafalgar House will ask how much longer we are going to go on putting resources into this thing," he said.

European Rail Link is not seeking direct government subsidies for the line, which are ruled out by the Channel Tunnel Act. However, the future of the project is dependent on government approval within the next few weeks for a package of proposals put to ministers informally last month. They key points of the package are:

● The use of government parliamentary time to guarantee the safe passage through Parliament of a Bill authorising the line;

● An increase in government subsidies to BR's Network SouthEast subsidiary to meet the cost of greatly expanded commuter services on the high-speed line, intended to mollify continuing opposition in Kent.

"All the indications at the moment are that the Government wishes to support the project, but there has been no formal commitment. That is needed within the next few weeks so that we can press ahead, but if there is going to be a delay we shall have to review the position," Mr Emberley said.

Separately, the joint venture has also run into serious difficulties in attempts to renegotiate a revenue sharing agreement with SNCF French railways. SNCF is understood to be resisting attempts to reduce its right to 75 per cent of revenue generated by the line, in contrast to its public statements last year, which suggested it was prepared to help bail out the British project.

The Government had hoped that the project could be financed without public support of any kind, but that now seems impossible.

Threat to private cars, Page 9; UK transport policy, Page 19

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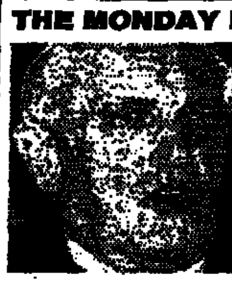
THE MONDAY INTERVIEW



Sir George Blunden (left), deputy governor of the Bank of England, was recalled suddenly from semi-retirement five years ago. He has enjoyed an eventful epilogue to his central banking career.
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Nicaraguan team due in US to discuss aid

By Tim Coone in Managua

NICARAGUA'S newly-elected alliance is to send a high-level team to the US at the end of this week as delicate negotiations get under way to bring about a peaceful transition of power following the defeat of the ruling Sandinista party in the February 25 elections.

The National Opposition Union (UNO) said the delegation would discuss "political and economic relations". Its statement did not mention aid, but UNO spokesmen have said the new Government would be seeking $300m in emergency help from the US and $600m a year in economic aid from all countries.

In Managua, this week's talks will centre on the demobilisation of the Contra army in Honduras and the question of control of the armed forces, police and security services.

The fear is that if sweeping changes are attempted in the Sandinista-dominated army and police, the Sandinistas will resist them and, with the support of trade unions and students, make the country ungovernable.

A joint negotiating commission has been set up with Mr Antonio Lacayo representing Mrs Violeta Barrios de Chamorro, the President-elect, and Gen Humberto Ortega representing the outgoing Government. The new Government will take office on April 25.

Last Friday, Commander Israel Galeano, who heads the Contra forces in Honduras, said he intended to negotiate the demobilisation of his 12,000-strong army with the Government after April 25.

According to the Central American peace accords signed last December, demobilisation should have been well under way, but the rebels insisted on awaiting the election outcome.

The incumbent President Daniel Ortega warned last week that there would be no handover of government unless the Contras were demobilised before that date.

Mrs Chamorro has supported his position, saying: "The causes which originated the war have disappeared. There is now no reason to continue fighting". The demobilisation plan should begin "immediately".

According to Sandinista officials, if the Contras are disarmed and disbanded by the time of Mrs Chamorro's inauguration, a peaceful transition is possible.

The Sandinistas are insisting that none of the Contras be incorporated into the existing armed forces or police.

● US Vice President Dan Quayle yesterday said it appeared that "we have a new Daniel Ortega" in Nicaragua and the United States expected a peaceful transition to democracy in the Central American country.

Chamorro: sending team to US

US and Moscow fail to find pact on trade barriers

By Robert Mauthner, Diplomatic Correspondent

US AND Soviet officials still disagree on several important aspects of an agreement aimed at abolishing long-standing barriers to bilateral trade, after their latest round of talks in London.

However, they confidently expect to agree in time for an official signature at the US-Soviet summit in late June, Mr Julius Katz, Deputy US Trade Representative and leader of his country's delegation, said yesterday.

"We have not reached in any sense an impasse," Mr Katz said, announcing that a third round of talks would be held in Vienna in the second half of March.

The main obstacle is the conditions on which the US is prepared to grant the Soviet Union Most-Favoured Nation (MFN) status.

MFN status would not only greatly reduce US tariffs on Soviet goods entering the US, but clear the way for US lending to the Soviet Union.

One of the hurdles still to be overcome is the adoption by the Soviet Congress of People's Deputies of a bill liberalising emigration from the Soviet Union.

The US, however, is also seeking firm undertakings that American businessmen will be granted all the commercial facilities they need freely to conduct business in the Soviet Union.

The difficulty is the difference of approach to bilateral trade, a US official said.

"The Soviets see the liberalising of trade simply as an exchange of MFN treatment, while we do not attach as much value to that as to facilitating the practical conditions in which businessmen have to operate."

● A senior Soviet official yesterday accused the US of planning to use its technological edge to hide information obtained from military flights over the East Bloc under an "Open Skies" treaty, Reuter reports from Moscow.

The first phase of "Open Skies" talks, aimed at reaching a treaty allowing surveillance flights by NATO and Warsaw Pact countries over each other's territories, ended in Ottawa last week with various issues unresolved.

The talks resume in Budapest, Hungary, in late April.

Viktor Karpov, the deputy foreign minister who headed the Soviet delegation in Ottawa, told the Communist Party newspaper Pravda that the United States would take the information obtained from the overflights and "hide it in its pocket".

ANC and S African businessmen hold talks in Harare

By Julian Borger in Harare

THE CONTENTIOUS issue of nationalisation was avoided in a joint statement issued after a closed meeting of leading South African businessmen and officials of the African National Congress in Harare at the weekend.

The statement did refer to an "urgent need to address economic inequality and poverty" accompanied by a "speedy process of dismantling apartheid". There was also a need "to create a political and economic environment" which would "encourage local and international investment", it said.

The meeting was arranged by the Consultative Business Movement (CBM), a forum of executives of leading South African corporations.

Sixteen businessmen and academics attended the talks, including representatives of Anglo American, Johannesburg Consolidated Investments, foods group, Premier, tyre manufacturer, Firestone, oil company, Caltex, and Southern Life Association insurance company.

The ANC team included four senior members of its national executive committee, Mr Thabo Mbeki, Mr Steve Tshwete, Mr Jacob Zuma and Mr Aziz Pahad. Both sides spoke afterwards of a desire to see a fundamental restructuring of the South African economy, to deal with the issue of extreme racial inequality.

ANC delegates said such a restructuring would be impossible in their view without some nationalisation. Mr Zuma was quoted before the meeting as saying: "Why should the ANC negotiate the question of nationalisation, when it was never demanded of the National Party before it came to power?" (The Afrikaner Government followed a policy of nationalisation after it came to power in 1948 as a means of ensuring employment for poor Afrikaners.)

CBM delegates, on the other hand, are believed to have argued that the most efficient way of redistributing wealth, was to break up existing monopolies rather than to nationalise them.

Both sides called the meeting "successful" and stressed that, because this was the first of a series of planned consultations, the problems were discussed only in general terms. Another meeting is planned, but no date has been fixed.

Mr Nelson Mandela assured white South Africans yesterday they had nothing to fear from an ANC Government, Reuter reports. The ANC would respect the separate cultures of South Africa and would allow each community to run its own schools, he told a rally in Harare.

Army takes power in Ciskei

By Patti Waldmeir in Johannesburg

TROOPS staged a bloodless coup in the nominally independent black homeland of Ciskei yesterday, deposing Mr Lennox Sebe, the President-for-life, and forming a council of state to govern the country.

Brig O.J Gqozo, who led the coup, said the army had decided to overthrow Mr Sebe after repeated requests from the people of Ciskei, one of 10 black homelands created by South Africa as part of the apartheid policy which Pretoria says it is abandoning.

According to the South African Press Association, news of the coup was greeted by thousands of cheering residents in the capital, Bisho.

Speaking at a news conference in Bisho, Brig Gqozo condemned the previous Government for ordering detention of Ciskeian citizens "thereby gravely undermining the rule of law and the authority of the judiciary", and sanctioning violence. He accused the deposed rulers of corruption, nepotism and abuse of state money, and said education and health services had deteriorated under their rule.

The constitution had been suspended and a three-man committee of military officers would handle day-to-day administration.

Several South African homelands – notably Venda and Gazankulu – have seen a sharp increase in unrest since the release of Mr Nelson Mandela three weeks ago, and the Transkei homeland has said it will hold a referendum on the issue of reincorporation into South Africa.

Czechs agonise over an ailing economy

By John Lloyd in Prague

THE PACE and nature of economic reform in Czechoslovakia is now a matter of sharp political infighting. Relationships within the Government are strained, and delays in important legislation already evident.

It is clear that the Government will not quickly switch to a market system, but will phase it in – "nurturing the market", in the words of Mr Vaclav Klaus, the Finance Minister. The disagreements, particularly between Mr Klaus and Dr Valtr Komarek, the First Deputy Prime Minister in charge of economic policy, are over the speed and order of the phasing.

A determination, common to all ministers though in different degrees, not to become heavily dependent on Western aid will mean that foreign investors now queuing up to show interest in Czechoslovak businesses will have to wait some time before these become available.

It is felt that the repatriation of profits by foreign-owned enterprises would place an intolerable strain on hard currency reserves. The immediate solution is likely to be that licenses will be offered to foreign companies on a case-by-case basis, especially those planning to export.

A team from the International Monetary Fund arrives in Czechoslovakia this week to approve the country's application for membership. It will pay particular attention to the first budget, due to be presented to the national assembly in two weeks by Mr Klaus.

It is said to be sharply deflationary, with big cuts in the armed forces and internal ministry budgets as well as cuts in subsidies paid on food and to enterprises. At the same time, Dr Komarek said last week that there would be no significant rise in unemployment.

Within the Government, differences have broken out over a number of key economic issues, resulting in delays.

Bills on private enterprise and on joint stock companies were passed last week. But a law on state enterprises has been postponed for consideration by cabinet until this week amid disagreements on the proportion of state-owned companies which should remain public.

A law on foreign trade, allowing Czechoslovak enterprises to trade directly with overseas companies, has been delayed.

In addition, a proposal to create an Office of State Enterprise and Privatisation is stalled over a disagreement on whether it should be controlled by parliament, the Finance Ministry or the sectoral ministries.

Mr Klaus is fighting hard to bring it under the wing of the more liberal Finance Ministry, under the leadership of his main adviser, Dr Dusan Triska. However, parliament and the ministries are lobbying hard against it.

All of these are delayed because of lack of agreement, or even clarity, over who owns much of Czechoslovakia's enterprises and property. Without a satisfactory definition of ownership rights, it is impossible to sell even small businesses to budding entrepreneurs, let alone large parts of large companies to foreign or domestic buyers.

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BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe Guarantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm Bk N East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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OVERSEAS NEWS

Singh offers resignation as head of Indian party

By K.K. Sharma in New Delhi

MR V.P. Singh, India's Prime Minister, has submitted his resignation as President of the Janata Dal, the main party in the National Front coalition that now rules India.

His move follows sharp differences among leaders of the party over a violent by-election in the north-western state of Haryana last week.

It was widely predicted at the time of the Indian election last November that differences would surface within six months.

Although a spokesman of the Janata Dal said yesterday Mr Singh's resignation (which has not yet been accepted) was related to the principle that no person in the Government should also hold a party post, he apparently offered to quit during a stormy session of the party's political affairs committee on the by-election. The controversial by-election in Meham constituency was contested by Mr Om Prakash Chauthala, Chief Minister of Haryana, who is the eldest son of Mr Devi Lal, deputy prime minister in the Singh Government. It was marked by serious violence and allegations of widespread ballot-rigging aimed at ensuring Mr Chauthala's victory.

More than a dozen people were killed in the constituency and hundreds of people were beaten up by Haryana policemen.

It has led to the first big rift between Mr Singh and Mr Devi Lal. What could have been a serious crisis was averted yesterday when the deputy prime minister agreed to withdraw his opposition to a proposal for fresh polling in Meham. A new poll is expected soon.

Mr Chauthala succeeded Mr Devi Lal as the Chief Minister when the latter joined Mr Singh's Government, amid criticism that the family was encouraging the sort of dynastic rule the party's leaders criticised the Congress Party government for.

Following the violence and allegations of rigging, counting of votes has not taken place in Meham. An investigating team from India's Election Commission has not been able to visit the constituency because of the tension there.

At a prolonged meeting of the Janata Dal's political affairs committee over the weekend, many members strongly criticised Mr Chauthala and sought his resignation.

Mr Devi Lal defended his son and claimed the events at Meham were the result of a conspiracy against his family.

Crackdown on Kashmir rebels

By Zafar Meraj in Srinagar

INDIAN security forces in Kashmir yesterday raided a number of houses and suspected hideouts of armed Moslem militants seeking secession from India, in a crackdown aimed apparently at stopping their movement gathering further momentum.

More than 100 political activists charged with helping the militants were arrested in the crackdown, but most of these are thought to be lower-rung members of the movement. A government spokesman claimed, however, that some "hard-core militants" were arrested.

At least 28 people were shot dead by Indian security forces last Thursday, the culmination of 11 days of big anti-Indian demonstrations.

The spokesman said the crackdown would continue until all militant groups were smashed, suggesting a toughening of approach to the militants' movement to break away from India.

The Kashmir administration also dismissed 16 government officials for allegedly being involved in secessionist activities. More dismissals are expected in the next few days.

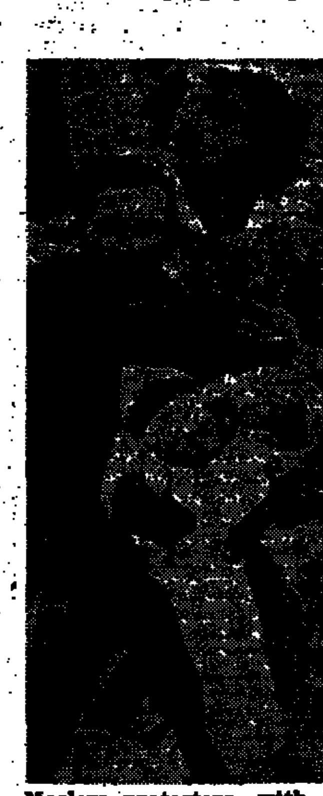
Despite the administration's tough attitude in the Kashmir valley, indications are that the militants have extended their activities to the Jammu region of the state, where Hindus are in a majority.

Reports reaching Srinagar said a number of anti-Indian and pro-Kashmiri militant processions have been held in the Moslem-majority areas of Jammu in the last few days. Tension has increased there because of opposition to the processions by Hindus.

Reports from Kashmir also speak of widespread migration of Hindus from the state following threats to them from the militants. The refugees are being housed in temporary camps in Jammu and other parts of northern India.

In a significant move, the Indian Government closed down the news unit of the Srinagar television station over the weekend. Local news in Urdu and Kashmir languages is now being broadcast directly from New Delhi.

The decision to close down the unit was taken after its staff protested against censorship by the administration, which has led to the dropping of news about the militants' movement in Kashmir.



Moslem protesters, with a child in a shroud, join a demonstration in Srinagar.

US deal brings hope on pollution

The agreement reflects a shift in the direction of environmentalism after 13 years of stalemate, reports Peter Riddell

FAR-REACHING changes in US clean air legislation have moved a step nearer as a result of last week's agreement between the White House and the Senate leadership. But there is still a long way to go before the bill is enacted, let alone before pollution is reduced. Most measures do not start taking effect until the mid-1990s.

The agreement is important: without it progress would have been blocked by Midwestern and Appalachian state senators concerned about the impact on local power utilities, on the motor, chemical and steel industries and on coal-mining.

Significantly, Senators Robert Byrd from the mining state of West Virginia and Carl Levin from the motor state of Michigan have backed the deal. They previously resisted proposals from north-eastern and western states affected by acid rain and smog, led by Senator George Mitchell, the Democratic Majority Leader and a longstanding environmentalist.

While both industry and environmentalists remain unhappy about the deal, it reflects a shift in the political balance in the latter's direction by ending 13 years of stalemate. It is a compromise between the Administration's original proposal and a Senate version produced last November, stretching out the implementation of new emission regulations over a longer period.

In detail, the agreement proposes:

● Cars. Tailpipe emissions of smog-producing chemicals would have to be reduced sharply for 40 per cent of vehicles sold in 1993, and 100 per cent in 1995. Emissions of hydrocarbons have to be cut by 22 per cent to 0.25 grams per mile, while emissions of nitrogen oxide would have to be reduced by 60 per cent to 0.4 grams per mile. Motor companies have said it is not technically feasible to meet these standards by the deadline, while they might add $100 (£61) to the cost of a new car.

Even bigger reductions would be required if 12 or more cities considered to have serious pollution problems do not meet federal health standards by the end of 2001; the new limits would apply from October 2003 onwards. To meet motor industry objections, proposals for big gains in fuel economy have been dropped.

● Acid Rain. Almost halving sulphur dioxide emissions which cause acid rain by limiting them to 10m tons below 1980 levels by the end of 1999. Nitrogen oxide emissions would be cut by 4m tons by 2005. The Administration's plan for a trading system allowing utilities that make big cuts to obtain tradeable credits is retained. The compromise gives extra credits to the dirtiest utilities to help finance costs of scrubbers to cut pollution and to the cleanest ones (especially in the west) which need credits to expand. Other concessions to encourage use of clean-coal technology.

● Toxic industrial substances. Industry will be required to install "maximum available" technology by 1997 to control sources of 187 toxic substances.

● Fuel. Responding to calls from the oil industry, the clean-fuels programme would rely heavily on reformulated gasoline mixture – applying as a first phase to all new cars sold after 1994 in the nine most smog-affected cities. Under the original Bush plan, auto groups would have had to produce 1m non-gasoline cars a year by 1997.

Mr Roger Porter, the president's domestic policy adviser, has said the package would cost under $21bn a year, compared with the $19bn annually under the original Bush package and the administration estimate of $41bn for the Senate's measure.

The Administration has reserved the right to make amendments in the House of Representatives and spokesmen for the motor, chemical and coal-mining industries have warned of the potential costs and job losses, especially from the proposed limits on airborne pollutants. Environmentalists are already pressing for tougher controls.

Alberta puts Japanese pulp mill on hold

By Bernard Simon in Toronto

IN A decision unprecedented in the Canadian forest products industry, the Alberta government has barred construction of a C$1.2bn (£590m) Japanese-controlled pulp mill until further studies are made of its impact on the environment.

Alberta-Pacific Forest Industries, in which Mitsubishi of Japan has a controlling interest, was planning to start construction soon of a bleached-kraft paper mill on the Athabasca river in north-east Alberta. But the Alberta government said it accepted proposals by an environmental review panel that extensive further studies should be done on the effects of toxic emissions from the mill on the Athabasca River and other water systems in the region.

It also ruled out a company compromise proposal that construction go ahead while the studies are under way.

The review panel was set up in the wake of growing concern at the environmental impact of many new forestry projects in Alberta over the last few years, including half-a-dozen pulp mills. None of the earlier projects was subject to formal environmental assessment hearings.

Al-Pac has yet to respond to the government's decision, but an official has said previously that the project may not be viable if construction is held up beyond next summer.

The chairman of the panel, Mr Gerry De Sorcy, who also heads the Alberta Energy Resources Conservation Board, said the required extra studies would take at least two years.

The panel said in its report that limited data available so far indicated that the existing mills on the Athabasca and Peace rivers had already contaminated "the fishes, waters and sediments with significant concentrations of dioxins, furans and other chlorinated compounds".

Brazil names radical for top ecology post

By Ivo Dawnay in Rio de Janeiro

DR José Lutzemberger, Brazil's most prominent ecologist and a thorn in the flesh of successive governments, has been named head of a new conservation agency which will be set up by the incoming administration.

The appointment, announced by President-elect Fernando Collor de Mello, has astonished and delighted the green lobby, but is certain to be viewed with the utmost suspicion by its powerful opponents. Dr Lutzemberger, who in 1988 won the so-called Alternative Nobel Prize for his vigorous campaign against abuse of the environment.

He is regarded as a hardline radical on conservation issues, even by sympathisers of the green movement.

At a press conference which followed his appointment, he immediately provoked controversy.

He hinted that he favoured "debt-for-ecology" swaps – the redemption of foreign debts in return for conservation commitments. It was also claimed he had won undertakings from Mr Collor to halt plans for a road to link Brazil's Western Amazon region with the Peruvian coast – a project strongly desired by soya farmers.

Dr Lutzemberger, 63, began his career in industry but became convinced that agro-chemicals were irreparably damaging delicate eco-systems.

As a campaigner, he has vociferously attacked the outgoing government of President José Sarney for its conservation record, earning in turn the accusation of treachery against Brazil's sovereign rights and development interests.

By choosing such a controversial figure to run his new environment agency, Mr Collor has adopted a high-risk strategy that will win applause abroad but may rapidly provoke conflict with powerful interests at home.

Ford settles dispute with Mexican assemblers

FORD has reached a settlement in its protracted dispute with dissident workers at its Cuautitlan motor assembly plant in Mexico but implementation depends on the "good faith" of the parties to the conflict, writes Richard Johns in Mexico City.

It remained unclear yesterday whether the dispute, involving a challenge to the official leadership of the Confederation of Mexican Workers (CTM), was finally over.

The company agreed to rehire workers still locked out after output resumed on a limited scale on February 12 following a five-week stoppage.

Abidjan protests

Ivory Coast has postponed a meeting of national and local leaders, called to announce wage cuts, after the worst protests in its 30-year history, state radio said yesterday, Reuter reports from Abidjan.

President Félix Houphouët-Boigny was to have explained austerity measures.

Strikes in Gabon

Gabon faces a fresh wave of strikes this week as popular discontent with government austerity policies grows, Reuter reports from Libreville.

Stoppages, riots and looting have swept Gabon since mid-January. The 1.1m people want pay rises and reform of the one-party political system.

Hope for gorillas

An all-out effort to save one of the world's rarest animals, the African mountain gorilla, is succeeding, Ugandan experts said yesterday, Reuter reports from Kampala.

Tourism and wildlife ministry officials said they believed mountain gorilla numbers had increased by about 150 in the past four years to roughly 450.

Buthelezi in UK

Chief Mangosuthu Buthelezi, leader of the predominantly Zulu organisation, Inkatha, will meet Mrs Margaret Thatcher, the Prime Minister, in London today, the British Foreign Office said.

Leading Israeli arms company faces closure

By Eric Silver in Jerusalem

SOLTAM, Israel's leading ordnance manufacturer, is threatened with closure following rejection by the Israel Defence Forces of a new 155mm cannon designed for the locally-built Merkava tank. The army decided to upgrade its existing guns.

The company has been badly hit by pressure on the defence budget, which has been reduced by 52 per cent over the past 15 years. It recovered slightly last year, losing $10m compared with $18m in 1988.

The Soltam labour force in the northern development town of Yokneam has been cut from 2,400 to 590 since 1985. One third have been working on the new gun.

The managing director, Mr Uri Simhoni, said yesterday: "Giving up the cannon will lead to the closure of the cannon production line in Israel, and in the end to the closure of Soltam as a whole."

It is a further blow to the troubled Koor conglomerate, which owns 75 per cent of the company.

Soltam has been working for nine years on research and development of the cannon, which it saw as its best hope of salvation.

It was designed for the battlefield of the twenty-first century, offering greater mobility, better protection, faster firing and longer range.

Tens of millions of dollars, invested on a 50-50 basis by the company and the IDF, have already been spent. The army did not dispute the cannon's quality, but concluded that it was too expensive.

Mr Simhoni complained: "The IDF prefers to improve existing cannons and neglect the infrastructure we created for production of the best cannon of its kind in the world. They're throwing away something of incredible value with shallow nonchalance."

● Israel should take urgent action to provide jobs and housing for the flood of Soviet Jewish immigrants, the International Monetary Fund (IMF) said on yesterday, Reuter reports from Tel Aviv.

A separate economics ministry report called for $15bn dollars of investment over the next three years for an expected 300,000 immigrants. Only $2bn was invested in the economy in 1989.

Soviet Jewish immigrants, travelling to the Jewish state under Moscow's new open-door policy, are among the most skilled arrivals of Israel's 42-year-old history, Israeli officials say.

Khartoum and Libya sign pacts

SUDAN and Libya have agreed to sign integration pacts to pave the way for a merger in four years, realising Muammar Gaddafi's long-cherished dream of uniting with Africa's biggest country, Reuter reports from Khartoum.

Sudanese military leader General Omar Hassan al-Bashir said on Saturday night the pacts would achieve political, economic and security integration between the two neighbours.

He told the Sudanese news agency SUNA after returning from a two-day visit to Libya, his third visit there since June, the two countries would merge in four years.

He said the proposed pacts provided for a joint supreme council, a joint ministerial body and a joint permanent secretariat.

"The proposal will be effective after its approval by the legislative bodies in both countries," he said.

Libyan-style popular committees set up in Sudan last year would be upgraded to legislative bodies to which the pact would be submitted for approval, he added, but did not elaborate.

He said Libyans would be allowed to visit Sudan without visas, a right so far granted only to Egyptians.

The Sudanese leader has repeatedly called for a merger between his country, Libya and Egypt.

Honeywell sets sights on Soviet venture

The company sees Eastern Europe as a 'natural opportunity', Tim Dickson writes

HONEYWELL, the $6bn (£3.5bn) US-owned controls and automation business, is contemplating its first manufacturing joint venture in the Soviet Union.

Mr Michael Bonsignore, President of Honeywell International, disclosed this week that talks are taking place with Moscow on whether to proceed with the new factory, which would turn out industrial valves for the emerging Soviet market.

The Honeywell initiative, he explained in an interview with the Financial Times in Brussels, is just part of the company's developing response to events in Eastern Europe, which he believes provide "a tremendous opportunity" to capitalise on its Western European presence.

Honeywell first arrived in Europe in 1934 when it opened a single sales company in the Netherlands. Today it has 14 manufacturing units in six member countries of the EC (Belgium, France, Germany, the Netherlands, Spain and the UK), employs 11,000 people across Western Europe, and has a total turnover of well over Ecu 1bn (£714m).

Sales in Eastern Europe, by contrast, are just $50m. But with existing joint venture trading operations in the Soviet Union, Bulgaria and (as from this January) East Germany, as well as newly-opened representative offices in Warsaw, Prague and Bratislava, the company has a convenient bridgehead through which to launch its attack.

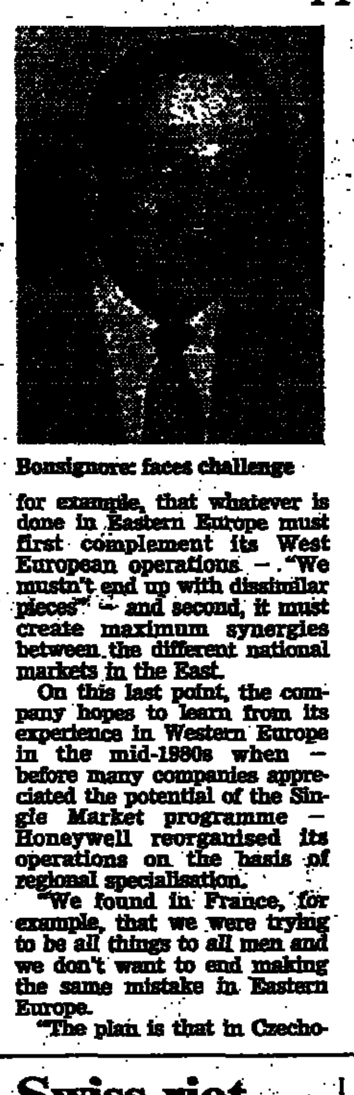
Eastern Europe, claims Mr Bonsignore, is a "natural opportunity" for Honeywell because of the nature of the group's products: sophisticated industrial automation and control systems.

"These countries are trying to upgrade their industrial base and ultimately become competitive with the West. Products like ours are badly needed and in most cases the customers are prepared to pay hard currency. The result is that we have not had, and do not expect to have, a problem with countertrade".

Mr Bonsignore, a former naval officer, who attended the recent Davos symposium in Switzerland, sees Eastern Europe's urgent new need to conserve energy as another fundamental opportunity, notably for Honeywell's residential and commercial buildings division.

"All the Eastern European economies have been receiving subsidised oil from the Soviet Union," he points out. "I don't think many people have realised that political independence will inevitably be accompanied by economic independence and that this will bring new financial pressures."

Honeywell's own challenge is how to organise itself to get what Mr Bonsignore calls "the right balance and maintain the company's established pan-European approach". He insists,



Bonsignore: faces challenge

for example, that whatever is done in Eastern Europe must first complement its West European operations – "We mustn't end up with dissimilar pieces" – and second, it must create maximum synergies between the different national markets in the East.

On this last point, the company hopes to learn from its experience in Western Europe in the mid-1980s when – before many companies appreciated the potential of the Single Market programme – Honeywell reorganised its operations on the basis of regional specialisation.

"We found in France, for example, that we were trying to be all things to all men and we don't want to end making the same mistake in Eastern Europe.

"The plan is that in Czechoslovakia, for example, we might capitalise on our expertise in petrochemicals, while in Poland and Hungary it will be something else. We will share these resources in such a way that we can cover all the markets."

The three joint ventures apart – involving capital outlays of just $1m-$2m in each case – Honeywell has tended to tackle Eastern Europe on an "opportunistic" basis from its Vienna sales office. The new representative offices in Warsaw, Prague and Bratislava are designed "to provide a more visible presence, to show that we are pro-active, and intend to get in early".

Inevitably, one of the biggest tests for the company will be Germany. Unification was already looking inevitable in January when Honeywell signed a letter of intent with VE AHB Industrianlagen Import (IAI), a leading East German foreign commerce organisation attached to the Ministry of Foreign Trade Relations.

The initial plan is to form a trade partnership and gradually work towards a joint venture as soon as East German legislation permits, taking advantage of Honeywell's nearby West German manufacturing and distribution outlets. But Mr Bonsignore admits that it remains to be seen whether IAI ends up as a suitable partner.

In Bulgaria, Honeywell formed a joint venture – Systematics – with the Ministry of Chemical Industry (MCI) in late 1983. The company specifies control systems for chemical plants, while the US group's agreement with MCI includes marketing process automation systems.

Experience of the Soviet Union goes back to 1974 when a Moscow office was opened to sell Honeywell products.

Fortunes ebbed and flowed with the varying political currents and CoCom restrictions – much less onerous in the past two to three years, says the Honeywell president – but in April 1988 a joint venture was formed with the Soviet Ministry of Mineral Fertiliser Production (MMF).

Sterch, as the company is called – the name is that of a white crane that escaped extinction through the collaborative efforts of US and Soviet citizens – provides digital process control systems for chemical fertiliser manufacturing plants under the jurisdiction of the MMF.

As a result of these contacts, says Mr Bonsignore, Honeywell has seen at first hand the Soviet Union's' need for products such as valves, actuators and flow metres, and the scope for technology transfer.

While, generally speaking, he is cautious about rushing into manufacturing in Eastern Europe – "you shouldn't bet the whole on the first try" – the present negotiations with Moscow may prove the exception.

Rebels seize hotel in Philippines

A REBEL governor and hundreds of armed followers seized a six-storey hotel and several hostages in the northern Philippines yesterday before being forced out in fierce fighting with government troops, Reuter reports from Manila.

One hostage, Brig-Gen Oscar Florendo, died in hospital of bullet wounds received during the uprising, the latest violent challenge to President Corazon Aquino.

About 600 rebels led by Rodolfo Aguinaldo, suspended as governor of northern Cagayan province for his alleged part in a December coup attempt, took over the hotel in the provincial capital, Tuguegarao, at dawn yesterday.

An army spokesman said Gen Florendo, 51, was apparently shot by rebel forces as government troops moved on the hotel where he was held with several of his aides.

Mr Aguinaldo escaped in the fighting. A military spokesman said at least two rebels were killed and several wounded during the clash in the town, 220 miles north of Manila.

The revolt was sparked by an attempt to serve an arrest warrant on Mr Aguinaldo. He had been charged with rebellion and supporting December's coup attempt.

Mr Aguinaldo had held out for several days in the nearby town of Gattaran before taking over the Hotel Delfino with his supporters, most of whom escaped.

In Manila, a military spokesman, Col Juanito Rimando, said more than 100 of Mr Aguinaldo's armed supporters had surrendered, including 10 government soldiers who had defected to the former governor.

The Manila regional commander, Gen Rodolfo Biazon, said it was unlikely the Tuguegarao uprising would start any serious trouble in Manila.

"A major move by groups threatening a similar action to December is a very remote thing," he added. "We have patrols out in the national capital region."

Swiss riot over secret police files

SWISS demonstrating, left, in the capital Berne on Saturday against state surveillance of citizens. The protest ended in violence as scores of youths smashed shop windows, broke into government offices and set fire to a bank and cars in the streets around Parliament, Reuter reports from Berne.

Police used water cannons, tear gas and rubber bullets to disperse the protesters.

The violence erupted after a peaceful march by some 3,000 people protesting against revelations that state police compiled secret files on hundreds of thousands of Swiss.

Stung by public outrage, the Government has said it will allow citizens to see the files.

West European new car sales jump 5%

By Kevin Done, Motor Industry Correspondent

WEST European new car sales jumped an estimated 5 per cent in January to 1.25m from 1.19m a year earlier, industry estimates show.

New car demand continues to defy industry forecasts that sales would weaken after five successive years of record sales. New car registrations in West Europe rose to nearly 13.5m last year, marking the climax to the longest period of sustained growth by the West European car industry. Car sales in January were higher than a year earlier in two of the major volume markets, West Germany and France, and sales also rose in Italy.

In the UK, new car sales in January fell by 6.3 per cent. The UK has been one of the fastest-growing European car markets in the past five years, but registrations have been lower than a year earlier for three successive months and for four of the past six months. This marks a clear decline in the face of high interest rates and the economic slowdown.

Across 17 West European markets, January sales were up on a year earlier in 11 and lower in six – the UK, Spain, Sweden, Denmark, Finland and Portugal. Fiat moved in January into its traditional early lead in the European car sales league, but performance was significantly weaker than a year ago.

Volkswagen, which has led the West European car market for the past five successive years, boosted sales volume by an estimated 11.4 per cent in January, helped by the strength of the West German market.

General Motors (Opel/Vauxhall), the fastest-growing volume car maker in Europe last year, also out-performed the market in January with an estimated 8.3 per cent sales volume jump. Biggest gain was made by Renault of France, which recently said it was entering an alliance with Volvo of Sweden in both cars and trucks. Renault's sales volume was 21.1 per cent higher than a year earlier, helped by growing sales of its Renault 19 small family car range launched in late 1988.

Renault, the weakest of the big-volume car makers, climbed into fourth place above both General Motors and Ford. Nissan of Japan also increased its European sales strongly in January, and is making inroads into protected markets such as Italy, because of rising output from its UK

WEST EUROPEAN NEW CAR REGISTRATIONS
January 1990

	Volume (Units)	Volume Change(%)	Share (%) Jan 90	Share (%) Jan 89
TOTAL MARKET	1,246,000	+5.0	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia, Alfa Romeo & Ferrari)	182,000	−4.1	14.6	16.0
Peugeot (including Citroen)	174,000	+1.4	13.9	14.5
Volkswagen (incl. Audi and SEAT)	172,000	+11.4	13.8	13.0
Renault	139,000	+21.1	11.2	9.8
General Motors (Opel, Vauxhall & US)	138,000	+8.3	11.1	10.8
Ford	136,000	−1.7	10.9	11.7
Mercedes-Benz	40,000	−5.6	3.2	3.4
Rover	38,000	−4.9	3.0	3.3
BMW	36,000	−0.0	2.8	2.9
Nissan	33,000	+15.2	2.6	2.3
Volvo	27,000	−3.3	2.1	2.3
Toyota	25,000	−2.9	2.0	2.1
Total Japanese	124,108	+10.2	9.8	9.1
MARKETS:				
Italy	237,000	+3.3	19.0	19.3
France	236,000	+16.8	18.9	17.0
West Germany	213,000	+13.6	17.1	15.8
United Kingdom	206,000	−6.3	16.6	18.6
Spain	85,000	−2.5	6.8	7.3

Source : Industry estimates

assembly plant, which is not included in the quotas for direct car imports from Japan. Nissan's Italian sales in January jumped to 447 from 274 a year earlier, and for the whole of 1989, its Italian sales were 2,981 against 594 in 1988.

Pro-democracy group holds more talks in Kuwait

LEADERS of Kuwait's pro-democracy movement have held more talks with the Crown Prince, Sheikh Saad Abdullah al-Sabah, on their demand for the return of parliament, dissolved in 1986, Reuter reports from Kuwait.

Sheikh Saad was quoted yesterday as saying the talks focused on "safeguarding our country and boosting social and national unity". The meeting with 28 ex-deputies dealt with "a formula to ensure non-repetition of circumstances leading to failure of the (previous) democratic practice".

The Emir, Sheikh Jaber al-Ahmed al-Sabah, dissolved the parliament at the height of the Iran-Iraq war, citing a foreign conspiracy to destroy the state. The pro-democracy movement staged rallies in December and January. Police used tear gas to break up the final one. The Emir called for an end to the rallies and offered a dialogue.

Sheikh Saad first met the ex-deputies on February 7. Ahmed Saddoun, speaker of the dissolved parliament, said then that the Crown Prince wanted that meeting to be a success.

NEWS IN BRIEF

IG Metall says pay has priority over short week

West Germany's biggest union, IG Metall, said yesterday it would give up the goal of achieving a 35-hour working week in this year's pay talks if it was awarded big wage rises instead, Reuter reports from Frankfurt The Union's chairman, Mr Franz Steinkühler, said "The later the 35-hour week comes into effect, the higher the wage rises must be."

IG Metall has campaigned for the 35-hour week since 1984 and embarked on this year's wage round by threatening strike action to press this claim. The union's original wage demands, made in December, were for a 9 per cent pay rise and a cut in the working week to 35 hours from the current 37.

Deadlock over Greek President

The Greek Parliament failed in its third attempt to elect a new President, opening the way for a general election on April 8, the third in less than a year, writes Kerin Hope in Athens.

With the conservative New Democracy party, which holds 148 seats in the 300-member House, abstaining, neither the Communist nor the Socialist candidate could win the required three-fifths majority. The April poll has already been agreed by the 11-party coalition which has ruled since last November's inconclusive election. Parliament will then be able to elect a new head of state, whose role is largely ceremonial, by simple majority.

Deal ends Finnish banking strike

Striking bank workers accepted a new pay offer yesterday and most Finnish banks will be open this week for the first time in more than a month, Reuter reports from Helsinki.

Leaders of the 38,000-strong bank staff union accepted an offer put forward by the national arbitrator which will give their members a 7 per cent increase now with more to be negotiated. Most banks have been closed since February 1 and union members have been locked out for refusing to handle interbank payments since January 22.

Mongolians demand Party purge

Thousands of Mongolian protesters marched on parliament in Ulan Bator yesterday clamouring for sweeping resignations in the Communist Party, witnesses said, Reuter reports from Peking.

Residents of Ulan Bator contacted by telephone said the demonstrators handed an ultimatum demanding the resignations and an emergency session of parliament this month.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Feb '90	Jan '90	Dec '89	Feb '89	% change over previous year
Japan	106.8	106.5	106.1	102.8	+3.9
Belgium	109.4	109.2	108.8	105.9	+3.4
W Germany	106.1	105.8	105.2	103.4	+2.6

	Jan '90	Dec '89	Nov '89	Jan '89	% change over previous year
US	118.4	117.2	117.0	112.6	+5.2
UK	125.0	124.3	124.0	116.1	+7.7
France	180.7	180.2	180.0	174.7	+3.4
Netherlands	101.9	102.1	102.1	99.8	+2.1

Source: (except US) Eurostat

Commission opts for all or nothing in food nutrition labelling

Tim Dickson reports from Brussels on a proposed new Community directive which not everyone has found easy to swallow

TAKE THE sale of potato crisps, says Mr Paul Gray. "Companies shouldn't be able to make a bald claim that these are high in fibre but omit to point out that they also contain large quantities of salt and fat."

The head of the European Commission division responsible for food policy was explaining the thinking behind a new nutrition labelling directive which was quietly agreed by the Council of Ministers in Brussels last week and which has significant implications for manufacturers and consumers alike as the 1992 deadline draws near.

Essentially a set of rules on what nutritional information packaged foodstuffs should display – and what form that information should take – the measure has aroused fierce controversy among member states since it was tabled in 1985 and only obtained the necessary qualified majority support after several compromises had been made.

The final text (yet to be approved by the European Parliament) represents an important step towards a single European market in food – a goal which the EC hopes to achieve on the basis of mutual recognition of different national standards underpinned by a general framework of common conditions.

This policy was set out clearly in the 1985 internal market White Paper and rests on several basic framework directives covering sensitive issues such as food additives, packaging, dietetic foods, labelling, and public inspections of food plants.

Its central principle is that provided products are safe and consumers have adequate information to know what they are buying, member states have no excuse and no justification for maintaining barriers to cross-border trade.

Nutritional labelling – to be distinguished from general rules on labelling for which proposals have been tabled, but on which little progress has so far been made – has long been justified by Brussels on the grounds of growing public interest in the relationship between diet and health, as well as by the urgent imperatives of the internal

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market. In reaching an acceptable solution, however, the EC has been under pressure from two sides.

Small and medium-sized companies in particular have been worried that providing a lot of technical details on their food packaging could be unnecessarily burdensome, while consumer groups have naturally been urging the highest possible level of protection.

In an important concession to smaller businesses which has been criticised by Mr François Lamy, a representative of the Brussels-based Bureau of European Consumer Unions (BEUC), the basic decision on whether to provide nutritional information is being left optional under the terms of the directive.

"The costs for companies can be quite high," observes Mr Gray, "but I think that consumers' attitudes in all this will be crucial – by looking for nutritional information they have the power to force manufacturers to use labelling."

The detailed rules in the directive only become compulsory where a nutritional claim is being made (either on that label, in the way the product is presented, or in advertising, excluding generic advertising).

The underlying purpose is to make sure that purchasers get a broad picture, not a partial account, of the nutritional content of what they are buying. To this end, the legislation sets out two groups of nutrients: the first consists of energy value and the amounts of protein, carbohydrate and fat; the second consists of the same four elements plus sugars, saturates, dietary fibre and sodium.

Companies can choose one group or the other but must give quantities for the complete list – four items for Group One, eight items for Group Two. Group Two labelling may also include the amounts of one or more of the following: starch, polyols, mono-unsaturates, polyunsaturates, cholesterol and any of the 18 minerals and vitamins listed in an annexe to the directive and present in "significant amounts".

A French-led camp maintained during the negotiations that the Group One list of nutrients alone needs to be set out comprehensively, which would have enabled companies to make additional claims for sugars, saturates, dietary fibre or sodium on their own. But the Commission, supported by the UK, also stuck to the complete declaration required by Group Two.

The compromise, not surprisingly criticised by BEUC's Mr Lamy, is that the obligation set out in Group Two will not take effect until six years after final notification of the directive. Commission officials insist that without this delay the legislation – which hung in the balance in the Council right to the last and was dependent on a once wavering Greek vote – could not have been agreed. They also maintain that while six years sounds a long time, the likelihood is that companies will react to the requirements much more quickly.

If the nature of the information to be provided on a food label is arguably the most important issue, strict rules also govern the way in which it is to be presented.

Conversion factors for calculating the energy value of carbohydrates, polyols, protein, fat, alcohol (ethanol) and organic acid are specified, and the directive states that the declaration of energy value as a proportion of nutrients or their components must be done numerically (expressed per 100g or per 100ml).

The information may be given per serving, as quantified on the label, or per portion, provided that the number of portions contained in the packet is stated. And if the standing committee for foodstuffs agrees, "the information... may also be given in graphical form in a manner to be determined."

Vitamins and minerals must be expressed as a percentage of the internationally agreed Recommended Daily Allowance (RDA), while clear instructions are given on the way in which any breakdown of carbohydrate or fat declarations should be made.

Article 7 of the directive covers the general look of the food label. It states that the information "must be presented together in one place in tabular form, with the numbers aligned if space permits. Where space does not permit the information shall be presented in linear form. It shall be printed in legible and indelible characters in a conspicuous place."

For now at least, member states will continue to lay down their own rules for non pre-packaged foodstuffs, though this is only seen as temporary, pending "the eventual adoption of Community measures".

The Community's standing committee on foodstuffs, meanwhile, will be considering possible formats for displaying information in graphical form and will be charged with revising where appropriate the list of vitamins and minerals which may be declared with their RDAs.

UK NEWS

Extra £3bn sought to cut level of new local tax bills

By Philip Stephens, Political Editor

MR Chris Patten, the Environment Secretary, is poised to press the Treasury for at least £3bn in extra resources for local authorities next year following a weekend commitment by the Government to soften the impact of the poll tax.

His demand, which may turn out to be as high as £4bn, will signal the start of what may prove one of the most difficult public spending rounds since the Government first took office in 1979.

High inflation, a diminishing Budget surplus, and the likelihood of large demands from a range of other spending departments will prompt the Treasury to seek to scale down significantly the bid.

The severe political damage, however, being inflicted on the Government by the planned introduction in England and Wales of the poll tax, or community charge, will provide Mr Patten with powerful allies within the Cabinet.

The poll tax is to take the place of the domestic rates system, which taxes property owners for the cost of community services. Under the new scheme all those over 18 will be obliged to pay the community charge.

The growing concern among grass-roots Conservatives about the electoral impact of the charge was apparent at the party's annual local government conference at the weekend.

Mrs Margaret Thatcher, the Prime Minister, joined Mr Patten and Mr Kenneth Baker, the party chairman, in promising an intense review to allow changes in its operation during the 1991/1992 financial year – the last before the general election due by mid-1992.

A skilful if less than vibrant speech by the Prime Minister at the conference headed off the open rebellion among Tory councillors which party managers had feared.

A succession of speakers, however, left the Government in no doubt that both a restructuring of the present grant system and substantial additional funds would be needed next year. There was also widespread opposition to large-scale "charge-capping" to force down poll tax bills.

Mr Patten wants the cash to be included in this July's revenue support grant settlement for local authorities, which will cover the 1991/92 financial year. He is assembling an impressive array of evidence to back his case.

No figures have yet been discussed with the Treasury, but Mr Patten's starting point is expected to be that local authorities are planning to spend £3bn more in 1990/91 than the Government allowed for.

That will significantly increase the baseline for their planned spending next year and threaten a round of further large increases in the charge in the run up to the election unless the Government increases its grant to the authorities. The Treasury's inflation assumptions, based on the GDP deflator, rather than retail prices, also underestimate the expected increases in costs faced by local councils.

Mr Patten can point to a range of new responsibilities being placed on councils, all of which will require additional resources. They include the implementation of its Care in the Community proposals, the increased work for local education authorities imposed by the Education Reform Act, and the new, tighter, environmental rules.

The Treasury, however, is likely to argue that the Government cannot endorse overspending by councils in the coming financial year by providing additional funds for the following year.

Industry accounts for 28% of the overall visible deficit

British motor trade deficit reaches record £6.55bn

By Kevin Done, Motor Industry Correspondent

THE UK motor industry trade deficit increased by 7.2 per cent last year to a record £6.55bn, according to figures to be published today by the Society of Motor Manufacturers and Traders.

The motor industry accounted alone for 28 per cent of the overall UK visible trade deficit of £23.1bn last year.

The industry's trade balance has been deteriorating since the mid-1970s and has been in permanent deficit since 1982.

Last year's further deterioration came against the background of record new car sales in the UK, which rose by 3.9 per cent to 2.3m, reaching a record level for the fifth year in succession.

There were preliminary signs in the fourth quarter, that the deterioration in the trade balance has been halted, however, in the face of the slow-down in the UK economy.

The industry's trade deficit in the fourth quarter was cut to £1.17bn compared with £1.46bn in the corresponding quarter a year earlier. It was the first time since the start of 1987 that the automotive trade deficit had fallen below the level of the corresponding period of the previous year.

The improvement in the final three months of last year was helped by a continued strong growth in exports and a halt in the growth of imports. UK new car registrations have been lower than a year earlier in four out of six months to the end of January. New truck registrations fell by 20.2 per cent in the final quarter last year compared with the corresponding period of 1988.

The value of car imports jumped by 11.7 per cent to £7.5bn last year – imports accounted for nearly six out of every ten new cars sold in the UK in 1989 – but in the final quarter the value of car imports at £1.7bn was only three per cent higher than a year earlier.

The value of car exports rose by 27 per cent last year to £2.5bn helped by increasing exports by Nissan of Japan from its Sunderland assembly plant and by Peugeot of France from its Ryton, Coventry assembly plant.

Components remain the UK motor industry's biggest source of export earnings, and foreign sales by this sector increased by 17 per cent last year to £3.9bn.

The society said import growth had halted in the closing months of 1989 with a fourth quarter total well below the previous three quarters and virtually unchanged compared with 1988.

The halt in the growth reflected "the slow-down in the UK vehicle market from September onwards and the general expectation that vehicle sales in 1990 will fall significantly below last year's levels," it said.

Committee to resume inquiry into sale of Rover to BAe

By Alison Smith

AN INVESTIGATION by one of the most powerful House of Commons committees is likely to be revived today into the controversial sale of the Rover car company to British Aerospace.

A key part of the inquiry will be into whether the car company was undervalued.

The all-party public accounts committee is due to meet this afternoon following the publication last week of an interim factual report setting out the evidence amassed so far. There had been doubts over whether the committee would continue with its inquiry given that the trade and industry committee has been conducting a parallel investigation.

The expected move follows the disclosure last week that Ford, the US motor group, was prepared to pay between £400m and £600m for Rover, on the basis of an £800m government cash injection as originally proposed by the Department of Trade and Industry.

One of the key issues in the public accounts committee's inquiry is expected to be how Rover assets were valued, and whether they were sold off too cheaply. It is likely to look in detail at the work of the government valuation services which it has criticised previously.

The two Commons committees have been investigating the £38m financial concessions made to BAe to facilitate the £150m deal in August 1988. The concessions were not disclosed to the European Commission when it agreed to £547m of state aid being provided to write off Rover's debts.

The revival of the investigation by the public accounts committee, which is generally regarded as more powerful than its trade and industry counterpart, will heighten interest at Westminster in the European Commission's inquiry into how much state aid BAe should repay.

The Commission may take the undervaluation of the company into account in deciding the BAe repayment. The decision is due to be announced later this month.

The trade and industry committee has been pursuing its own inquiry and has already questioned Professor Roland Smith, BAe's chairman, and other senior BAe figures, as well as Lord Young, the Trade and Industry Secretary at the time of the sale.

Lord Young was earlier invited to give evidence to the PAC, but he refused to do so, pointing out that the committee does not usually take evidence from ministers.

PAC members have not ruled out repeating the invitation.

Tax incentives for employee schemes urged

By Michael Smith, Labour Correspondent

THE GOVERNMENT was urged by the Industrial Society yesterday to offer tax incentives to companies which make real progress towards employee involvement.

In its response to a consultative document about the proposed European Company Statute, the society criticises progress on this in Britain. "The well known examples of good practice involving employees described in recent government publications are still not widespread," it says.

In a letter to the Department of Trade and Industry, Mr Alistair Graham, Industrial Society director, says the link between involvement and business is well established and incentives could produce "real advances."

If ministers relied on exhortation, the result would only be a "slow trickle of converts."

● The Trades Union Congress will today begin a three-week campaign to persuade more people to join trade unions. It is being launched by Mr Norman Willis, TUC general secretary, in Manchester and includes exhibitions and meetings in the city.

Miners' leaders call meeting on foreign links

By Michael Smith, Labour Correspondent

LEADERS of the National Union of Mineworkers are to be pressed to convene an emergency meeting of the union's executive after weekend accusations about money which is alleged to have been sent from the Soviet Union and Libya to help miners during their national strike in 1984-5.

Mr George Rees, general secretary of the South Wales NUM, said yesterday that he and other members of the national executive wanted an urgent meeting to discuss investigations by the fraud squad into the union's finances and allegations that millions of pounds of Soviet and Libyan money was received during the miners' dispute.

The NUM is scheduled to meet next on April 2 but Mr Rees said he was not prepared to wait that long, particularly in view of the union's declining membership and recent redundancies among staff.

Mr Scargill, president of the NUM, said yesterday that the NUM did not receive any money from the Soviet Union during the strike.

Power station companies sign first contracts

By Maurice Samuelson

ABOUT 200 factories, offices and other buildings in England and Wales will next month start buying electricity directly from power station companies instead of from local electricity boards.

The contracts, lasting from one to three years, will come into effect on April 1, the day the electricity industry passes into the private sector and starts to assume its new, competitive structure.

The contracts represent part of the 15 per cent of the electricity market for which the generators will be allowed to compete directly in the first four years after privatisation. That will rise to 25 per cent in the second four years, after which there will be no limit.

National Power's first customers have a demand of only 850 MW compared with its generating capacity of 32,000 MW. Its first 23 contracts are worth between £150m and £200m. Thirteen of the contracts are with multi-site companies, one of which owns 30 sites.

The sites vary widely in electricity consumption – from 1 MW to 150 MW – and the contract periods range from one to three years.

PowerGen, National Power's sister company, which recently won the right to supply the future Toyota car factory in Derbyshire, has also secured additional business but at the weekend had not yet quantified it.

However, the contracts represent only a very small proportion of the industrial and commercial electricity market and reflect the tight constraints that will govern the growth of full competition in electricity supply.

Many of the generators' new customers will enjoy lower prices than in the previous 12 months. The area boards are also believed to have offered contract customers cash reductions. Their ability to do so is strengthened by the 9 per cent increase in next year's charges to domestic consumers who have no leverage over prices.

Boastful Britain faces critics over dumping

John Hunt anticipates a testing time for Chris Patten at the North Sea conference

GOVERNMENT claims that Britain has taken a leading role in cleaning up the North Sea will be put to the test this week when Mr Chris Patten, the Environment Secretary, attends the third North Sea Conference in the Hague.

Recently Mr John Gummer, Agriculture Minister, boasted that the UK was among the European leaders in demanding higher standards and preventing pollution in its offshore waters. Mrs Margaret Thatcher told the Conservative Party Conference in 1988: "We have led Europe in banning the dumping of harmful industrial waste in the North Sea."

For all that, Mr Patten will need all his skills in the Hague on Wednesday and Thursday to pacify the seven states that, with Britain, signed the 1987 agreement to reduce pollution in the North Sea. The pact followed complaints that the North Sea had become a "midden" through waste dumping and carriage of toxic materials from the rivers of the highly industrialised countries surrounding it.

Under the agreement, dumping of industrial waste – mostly liquid chemical waste – in the North Sea should have ceased by the end of last year.

Britain has been unable to meet that deadline and is the only country continuing to use the method. It is also the only signatory country still dumping sewage sludge: 7.5m tonnes a year, of which 60 per cent goes into the North Sea.

Greenpeace protests over N Sea dumping

That has provoked strong criticism from the other states – Denmark, Belgium, West Germany, France, the Netherlands, Norway and Sweden. Some of the sound and fury is intended to placate the powerful "green" lobbies in their own countries. British officials point out that the Rhine is still by far the most polluted river running into the North Sea.

The UK now says it can end industrial dumping by the end of 1992, but for two dumping licences – for Sterling Organics and Imperial Chemical Industries – which may be extended into 1993.

That is likely to upset the other countries, as ICI accounts for more than half the total liquid waste licensed for disposal by this method. Greenpeace, the environmental organisation, says it is "a whitewash" and means that of the 266,000 tonnes to be dumped from Britain this year, 207,000 tonnes will continue into 1993.

Britain is, however, abiding by the letter of the North Sea declaration. A loophole allows dumping to continue if "there are no practical alternatives on land and it can be shown that the materials pose no risk to the marine environment."

The UK says it is fulfilling those conditions. Britain has reduced its licences for industrial dumping from 30 to nine within the last three years.

One of the most important issues for Britain is a proposal from Germany, Denmark and Sweden that damaging nutrients such as nitrogen and phosphorus should be removed from sewage before it is discharged into rivers and carried into the North Sea. That would mean installing expensive equipment at sewage plants and would cost the UK's privatised water industry huge sums of money.

Germany is now installing such systems at a total cost of about £12bn. The Government estimates that the British water industry might face costs of that order if the method were introduced in the UK.

"It would be a terrible bill for us to pay," says a British negotiator. "There is no justification for it."

Britain has been opposed to the move and it was thought that agreement would be unlikely at the conference. But it is possible that Mr Patten may announce some concession on this point today.

The UK maintains that there is no scientific justification for the proposal. British inputs of nutrients to the North Sea have not increased in recent years and are mostly carried out through the North Atlantic. The main difficulty comes from the countries on the eastern side of the sea. Their nutrients are swept north along the eastern shores by currents.

Sewage sludge dumping by Britain might be a cause of conflict, although Mr Patten is expected to announce a compromise proposal today. Germany, with the backing of other states, wants this type of dumping to end in five years. Mr Patten is expected to say that Britain will be prepared to phase it out in 10 years.

That is a climb down from the UK's previous position that sewage sludge dumping should continue but that greater efforts should be made to remove contaminated materials from it. However, it is unlikely that Mr Patten's concession will satisfy Britain's critics at the conference.

In spite of all the differences, the British officials want to be constructive. One negotiator says: "We are not going to give everything away but equally we do not want to be obstructive. We want this to be a good conference."

THE Confederation of British Industry says in a report today that its members are making a big contribution to the North Sea environment. ICI has cut inputs of mercury and cadmium into the Tees by more than 98 per cent since 1970 and the Tioxide Group has spent £3m to reduce trace metals going into the Tees by 75 per cent since 1985.

The RTZ Metals Capper Pass smelter on the Humber estuary has cut inputs of nickel, zinc and tin into the river by more than 97 per cent since 1975. Scottish and Newcastle Breweries had achieved big improvements in effluent quality.

Clothing shops face fall in trade, survey says

By Maggie Urry

CLOTHING SHOPS' trade is likely to deteriorate, according to Verdict Research, the retail consultancy. Sales in real terms were static last year.

Verdict expects no improvement in the retail climate generally until mid 1991, when inflation and interest rates are expected to be lower. However, clothing retailers may continue facing difficulties for longer because there are too many shops devoted to selling clothes.

"There is simply too much space to be supported by the existing level of consumer demand," the report says. At the same time, occupancy and other costs are rising faster than sales.

The sub-sector was one of the fastest-expanding areas in the 1980s as consumer spending grew rapidly.

Many of the new shops, however, looked alike, Verdict says, and that blandness has partly dampened spending on clothing.

Clothes shops are one of the most demanding areas of the industry, Verdict says. That is partly because the business is a very seasonal one and the goods are affected by changing fashion, and partly because customers are particularly fickle when buying clothes.

The sub-sector is also particularly vulnerable to demographic shifts. The decline in the number of teenagers and young adults, who are the biggest spenders on clothing, has yet to provoke retailers into developing new formats for older customers, it says.

Marks and Spencer has the largest retail market share, with 14.8 per cent of the clothing market, which was worth £17.4bn in 1989.

Burton, with chains such as Burton, Top Shop, Dorothy Perkins and Evans as well as the Debenhams department stores, has 10.9 per cent of the market.

Storehouse, which owns the BhS business and chains such as Richards, has 4.2 per cent of the market.

Verdict on Clothing Retailers. Verdict Research, 112 High Holborn, London WC1V 6JS. £495.

Extra powers urged for investor complaints body

By Eric Short

THE COMPLAINTS Bureau operated by The Securities Association and the International Stock Exchange should have the power to award compensation of up to £500 if a member firm fails to deal adequately with an investor's complaint.

That is one of the recommendations made by Sir Gordon Downey, the Complaints Commissioner, in his first report on the work of the bureau in 1989.

The 1986 Financial Services Act requires all regulatory bodies to operate a complaints and adjudication service to deal with investors' difficulties with authorised firms. The bureau provides information and conciliates on complaints.

It handled 1,518 cases in 1989, of which 770 were inquiries and 748 were complaints. It found that 40 per cent of complaints were justified. The Complaints Commissioner monitors the bureau's operations. His report, published yesterday, concluded that the bureau generally operated efficiently.

The bureau can make recommendations for compensation from a firm and pass on information about serious maladministration or breach of TSA rules to the Enforcement Division of TSA.

Most firms accepted the recommendation and paid compensation. In 20 cases last year, firms did not pay up and the bureau recommended complainants to take their cases to the second tier of the TSA complaint system, arbitration.

Only about 10 cases to date have been taken to arbitration, prompting Sir Gordon to recommend the extra powers.

Computer merger pace eases

By Alan Cane

MERGERS and acquisitions in the UK information technology industry are increasing but the pace has slackened, according to Regent Associates, a UK-based acquisition broker which monitors all transactions valued at more than £500,000.

There were 244 acquisitions in the sector last year, an increase of 23 per cent on 1988.

In 1987, however, there were 119 transactions and 197 in 1988, a corresponding growth rate of 65 per cent.

Mr Peter Rowell, Regent Associates' managing director, said that after several years of rapidly growing acquisition activity there was a shortage of suitable companies valued at up to £10m.

Much of the activity was being driven by companies with a full stock market listing not interested in very small acquisitions.

Merger and acquisition activity in the IT sector has been growing in recent years.

The Regent analysis shows clear signs of consolidation in product distribution where size confers the economies of scale to allow reasonable profit margins. There were 21 acquisitions of product distributors in 1989.

The report notes two principal trends with, first, a tendency for buyers to focus on vertical markets.

Mr Rowell said: "Many suppliers who have been talking about the need to focus on vertical markets are accelerating the process by actively searching for companies with established customers and staff with knowledge of those markets."

The second trend, among diversified companies, is to dispose of marginal activities to refocus on the core business. Regent says the software and services sector was the most active, with 99 acquisitions in 1989 compared with 76 the previous year.

Communications companies, especially those involved in local area networking, were much in demand.

UK-based companies acquired 51 foreign companies, whereas only 13 British companies were acquired by foreign buyers. There was a sharp decline in acquisitions in North America as British companies turned their attentions to Europe and the Pacific Rim.

Sales value of food and drink cans rises by 8.4%

By Maggie Urry

SALES of cans for the food and drink industry grew by 7 per cent in volume and 8.4 per cent in value during 1989, the Economist Intelligence Unit estimates. A total of 12.7bn cans was sold in the UK.

The market for open-top cans – those delivered to packers with one end open for sealing – had been thought to be a mature one. Instead, the unit says in its latest Paper and Packaging Bulletin, the market was worth £660m in 1989, up from £609m in 1988.

It is a competitive market. In 1988 prices per can fell and last year the slight improvement in prices was "much needed," the EIU says.

The boost to can volumes mainly came from a 22 per cent rise in carbonated soft-drink cans because of the hot summer. Those now account for 30.5 per cent of the can market, and sales are expected to continue. Sales of cans for beer rose by 4.5 per cent. Soft drinks and beer cans make up 52.5 per cent of the can market.

Of the five main can companies, CMB Packaging, the group formed last year by the merger of Metalbox Packaging of the UK and Carnaud of France, has the largest market share, with 38 per cent of the market.

Paper and Packaging Bulletin No 140. Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £95.

FT SATELLITE MONITOR

Installation advances modestly

By Raymond Snoddy

SATELLITE television advanced modestly in February, with 71,000 more homes putting up dishes.

That brings the total number of homes that have rented or bought satellite dishes to 629,000, according to the latest monthly Financial Times Satellite Monitor. The figure does not include those who receive satellite television channels through cable networks, probably as many again.

The findings, based on interviews in February with more than 4,000 people, suggest a winter plateau for sales of between 60,000 to 70,000 and a falling away from the December peak of 110,000. In January the figure was 61,000.

Continental Research, which compiles the survey, attributes the slowing to the fact that February is traditionally a quiet month for retailing. Moreover, some consumers may be waiting for the launch of British Satellite Broadcasting, a consortium in which Pearson, publisher of the Financial Times, has a significant stake.

In its survey, Continental identified a total of 10 large dishes and 93 small dishes of the sort needed to receive Sky and other satellite channels. The margin of error in scaling the sample up to the British population is about plus or minus 35,000 homes.

Continental says there has been a levelling-off of interest in satellite television across all social groups and that a total of 3.3m people now say they will definitely or probably install equipment. That compares with a December figure of 4.29m.

This is the 12th monthly monitor and an analysis of all the satellite television homes identified so far shows that the extra choice of satellite appeals particularly to the young. Just over 50 per cent of such homes include people aged under 34. Homes with three or more people are also more likely to take up satellite.

Satellite television is more popular in blue-collar households, particularly those with skilled manual workers.

Interest is spread fairly widely across the country, although Scotland and greater London are beginning to show a little less interest than the rest of the country.

Continental expects spring marketing campaigns by both Sky Television and BSB to stimulate the present "static" market potential.

ITN change of head office earns it £40m

INDEPENDENT Television News says it has made £40m profit from its decision to create a new headquarters in London, writes Raymond Snoddy.

The money has come from complex deals involving the purchase, sale and leaseback of its new Grays Inn Road headquarters and the sale and leaseback of its existing building near Oxford Street.

The Grays Inn Road deal was with Stanhope Properties and Wells Street was sold to Speyhawk Mount Row and then leased back until the new building is ready for occupation.

The surpluses flowing from the deals have enabled ITN to fit out the new premises without any need for further capital from its present owners, the ITV companies.

Building society drops offer for Portman Wessex

By David Barchard

CHELTENHAM & Gloucester Building Society has withdrawn a bid for the smaller Portman Wessex society after learning that Portman Wessex members would not be given a chance to consider its offer. The Cheltenham & Gloucester offer is believed to have been superior to merger proposals due to be put to them shortly.

The withdrawal is of considerable significance to the industry, as several medium-sized building societies are considering behind-the-scenes takeover offers from foreign banks and insurance groups.

Until now, it has always been assumed that the board of a building society subject to a takeover bid would have to disclose details of all the offers it received from other bidders, alongside the recommended offer.

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester, said: "We are in a no-win situation. The way the relevant legislation is constructed, a building society's board can only put one merger proposal at a time and if that offer were to be rejected by members, there is no indication that the board would go ahead and put our offer afterwards."

Portman Wessex announced in early February that it had accepted merger proposals from Regency & West of England to create a combined society with total assets of £2.5bn and 130 branches.

A special bonus of up to £100 is to be offered to the members of both societies if they approve the merger. It later emerged that Cheltenham & Gloucester had made an offer to Portman Wessex, earlier, but that had been turned down even though its terms were believed to contain greater cash benefits for members.

Officials of Portman Wessex had earlier said that details of any other merger proposals would be put to members at the special general meeting. That will not now be necessary and the remaining stages of the merger seem likely to be a formality.

Anti-dumping duties 'cost EC consumers £1.2bn'

By Michael Skapinker

THE European Community's anti-dumping duties on imported electronic goods harm the interests of consumers, a study from the National Consumer Council says today.

The study covers the effect of EC duties on average prices of goods. It says the increases imposed by EC duties are about £13 on a compact disc player, more than £20 on a video recorder, £74 on a computer printer, £31 on an electronic typewriter and more than £181 on a photocopier.

Mr Nigel Grimwade, senior lecturer in economics at the South Bank Polytechnic and the author of the study, says the measures cost UK consumers more than £274m a year in higher prices, and consumers in the Community as a whole £1.2bn.

The economic justification for the measure is difficult to establish, the report says. Although manufacturers frequently argue that falls in sales result from low pricing by competitors, they really have only their own inability or unwillingness to adapt to blame, says Mr Grimwade.

Consumer Electronics and the EC's Anti-Dumping Policy. National Consumer Council, 20 Grosvenor Gardens, London SW1W ODH. £3.

Labour shifts towards a brake on private cars

Kevin Brown says the Opposition's transport plans will create open conflict with the Government

THE LABOUR Party is moving towards producing its most radical transport manifesto since 1945 when it proposed nationalisation of railways and road haulage.

There will be no nationalisation in the next manifesto, which is consistent with the development of Labour policy under Mr Neil Kinnock, the party leader.

But Mr John Prescott, the shadow Transport Secretary, is arguing strongly within the shadow Cabinet for a policy that would rely heavily on restraining the private use of cars to ease overwhelming road congestion.

Such a policy would bring Labour into open philosophical conflict with the Government, which sees that approach as an infringement of personal freedom and a certain vote-loser.

Ironically, Mr Cecil Parkinson, the Transport Secretary, is less opposed to restraints on car use than many other ministers, possibly because he is more exposed to the arguments of academics who claim it is the only solution.

Mr Parkinson has accepted the refusal of the Cabinet to go along with such measures, and has recently begun to emphasise Conservative faith in the ability of consumers to make intelligent personal choices about transport.

Mr Prescott declares that Labour has made no final decisions and is unlikely to do so before the summer at the earliest. But his hope is that the Government's efforts to wrap itself in the flag of freedom of choice have merely blinded it to the reality of the transport question.

The crucial issue is the Transport Department's own forecast, published last year, that the volume of traffic will increase by up to 47 per cent over the next 10 years, and by as much as 142 per cent by 2025.

The Government's immediate response was its Roads for Prosperity programme, variously costed at £12bn-£14bn, which proposes widening most motorways, together with building more bypasses and some new roads, over the next decade or so.

The programme has outraged environmentalists, who regard it as futile and dangerous, because of the implications for pollution from vehicle exhausts. Even Mr Chris Patten, the Environment Secretary, has said publicly that such an increase in traffic would be unacceptable.

Mr Parkinson's response has been to confirm the programme, albeit with some environmental modifications such as better landscaping of motorways. He is also trying to encourage vehicle manufacturers to switch the emphasis of design and production from performance to fuel efficiency, and to promote better driving standards as a way of cutting pollution.

John Prescott: Public prepared to accept limits

Yet Transport Department officials admit that even spending on that scale will increase road capacity by only around a fifth – far too little to make much impact on the growth of congestion.

Mr Prescott claims that the Government has misread the public mood, which he says is ready to accept limits on personal freedom of action in return for less congested roads and smog-free skies.

"You cannot build your way out of the congestion problem, so the difficulty is finding ways to manage it," he says. "We think a lot can be done through improvements to public transport, but if you want to reduce exhaust gases the growth factor has to be restrained."

The principle of restraint was sketched out – albeit without details or commitment – in Labour's transport policy document, approved by the party conference in the autumn.

Details remain sketchy – a team of 20 academics are working on the mechanics – but the measures being considered include:

- Using the price mechanism to make driving less attractive, either through raising petrol taxes or, more probably, by charging motorists to enter congested areas.
- Swingeing tax increases to wipe out the perk value of company cars, valued at around £3,000 a year, and company parking spaces, valued at up to £5,000.
- A 55 mph speed limit to reduce exhaust emissions, improve traffic flows and increase safety.
- Reserving more road space for use by buses or high-occupancy vehicles, combined with tougher penalties for offenders.

Mr Prescott stresses that Labour is not anti-roads and talks of reviewing the need for new inter-urban roads such an east coast motorway from London to Edinburgh. However, it is clear that Labour would be less sympathetic to road schemes in urban areas.

Ms Joan Ruddock, the deputy transport spokesman, has already undertaken that Labour would kill the Government's extensive plans for new roads in London, and would not approve "roads which will simply generate additional traffic."

The *quid pro quo* for a tougher line on roads and cars would be a big increase in investment in public transport, financed partly by relaxing financial controls on British Rail and other bodies, and partly by higher government spending.

There is a second gamble here, though: that voters are prepared to accept higher taxes in return for better services. "I think people are prepared to pay for better public services – that is what they want," Mr Prescott claims.

Talks on the issue are going on with Labour's Treasury team, but Mr John Smith, the shadow Chancellor, has yet to be convinced. The use of the price mechanism presents particular difficulties because of the perception that it would affect poor drivers worse than rich ones.

THE WALKER RESIGNATION

Junior ministers await the call to Wales

By Philip Stephens, Political Editor

FOR THE raft of more junior ministers whose ambition it is to join Mrs Margaret Thatcher's weekly Cabinet meetings, Mr Peter Walker's impending resignation will mean weeks of anxious waiting by the telephone.

His job as Secretary of State for Wales is not the most coveted in the senior ranks of the Government.

When Mr Walker was sent there from Energy after the 1987 election it was widely regarded as a demotion, although he brought his typically high-profile style to the job.

Aspiring members of the country's most exclusive political club, however, cannot afford to be choosy. There is no guarantee that another chance of promotion will come before the general election.

It is possible that Mrs Thatcher will not replace Mr Walker directly with someone from outside the Cabinet, but will use the opportunity for another, albeit, minor reshuffle of ministerial responsibilities.

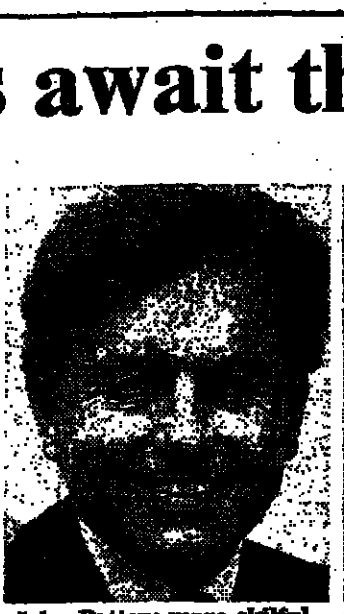
Among the ministers of state who might expect that all-important call from Downing Street, three stand out: Mr John Patten, at the Home Office, Mr William Waldegrave, at the Foreign Office, and Mr Peter Lilley, at the Treasury.

A straw poll – strictly unscientific – of Conservative MPs yesterday suggested that all were regarded as well deserving of promotion.

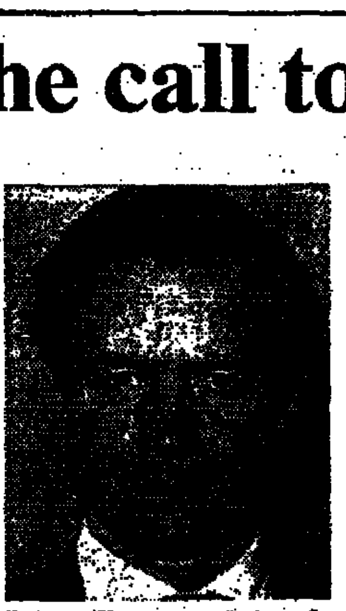
Mr Patten, 44, in the junior ranks of the Government since 1980, is regarded as a considerably more skilful politician than his sometimes relaxed style betrays.

He has played a key role in shaping the Criminal Justice Bill which the Government plans for the next session of parliament and has been in the forefront of its efforts to combat crime.

Mr Waldegrave, a Minister of State at the Foreign Office, is a year younger and is regarded as one of the brightest of his generation.



John Patten: more skilful than relaxed style betrays



Peter Lilley: first choice of Conservative right wing

A former fellow of All Souls, Oxford, Mr Waldegrave displays an intellectual grasp of issues that few of his contemporaries can match; although sometimes, colleagues say, at the expense of good political judgment.

Mr Lilley is probably the first choice of the Tory right wing. Now Financial Secretary to the Treasury, he has enjoyed a meteoric rise since Mr Nigel Lawson made him his parliamentary private secretary in 1984. His politics – on economics and social policy – are distinctly "dry," so he might be an ideal counterweight to some of the less Thatcherite members of the Cabinet. All of them share one distinct drawback: a lack of any obviously strong connections with Wales.

Mr Walker, of course, was in the same position but he brought to the job more than 20 years of experience of Cabinet-level politics.

One suggestion last night was that the Welsh-born Mr Michael Howard, brought into the Cabinet in January to replace Mr Norman Fowler as Employment Secretary, could fill Mr Walker's shoes.

Another was that Mr Tristan Garel-Jones, Welsh born and with an outlook closer to Mr Walker's than to Mrs Thatcher's, could be promoted into the job.

Mr Garel-Jones is a close personal friend and political ally of Mr Chris Patten, the Environment Secretary.

For his part, Mr Walker would say nothing beyond expressing his confidence that Mrs Thatcher was keen to appoint someone "very good."

A departure of strictly limited significance

MR PETER WALKER is a splendid fellow, but his departure from his post as Secretary of State for Wales does not in itself herald the end of the Conservative Government. It is not self-evidently a case of a rat leaving a sinking ship, any more than was the departure of Mr Norman Fowler from the job of Secretary for Employment on January 3. Nor is it another whiff of *fin de siecle* in the air, as everyone will be suggesting. There are sufficient reasons for reaching the conclusion that Mrs Margaret Thatcher's administration is in deep trouble, but this is not one of them.

"The Prime Minister was very sorry when I came to her last September to say we had decided as a family that I would not contest the election," he said on television yesterday. In the absence of any evidence to the contrary, there is no reason to disbelieve him. Indeed, Mr Fowler and Mr Walker may have crossed paths in the corridor outside the Prime Minister's office, both thinking of their families.

It was the bigger personal decision for Mr Fowler, just 52 and in need of a job to supplement his MP's salary, than for Mr Walker, about to be 58 and a self-made millionaire longer ago than most of us care to remember. It is now perfectly possible to picture Lord Walker of – shall we say Cardiff? – joining the other great departed in the upper house, unless Labour gets in and abolishes it before he has a chance.

He will be missed by some, waved gleefully off by others. Mr Walker represented one strand of Conservatism that is currently out of fashion – namely a strong belief in "partnership" between Government and industry – and another that is at present well concealed, namely a genuine feeling for the less well off. In one of his periods out of office, in the mid 1970s, he spent some time persuading me to write about the awful conditions in certain city centres, which he had been concerned with when in Government. He did not appear to want a puff for himself. His attitude to blacks in Britain is closer to that of the Prince of Wales than the one associated with Mr Enoch Powell.

Those twin characteristics may account for his extraordinary personal popularity in Wales, and the lack of affection for him expressed by some of his harder-minded or younger colleagues in Cabinet.

It is not possible to say with certainty why Mrs Thatcher allowed this particular dissident to remain in the Government until he chose to leave. Before she took over leadership of the party he was courteous and helpful to her. When she became Prime Minister he was a leading figure in the party, one who could not easily be dismissed. As the years went by he was moved around the Government, serving as a thoughtful Secretary for Energy whose stockpiling of coal contributed mightily to the defeat of the National Union of Mineworkers, and surprising everyone with his acceptance, after the last election, of the Welsh job, which he likened to "city manager of Birmingham."

One view is that the Prime Minister feared the presence of such an astute dissident on her own back benches; as President Lyndon Johnson used to say of similar opponents, she would rather have him in the tent doing whatever he was doing in an outwards direction than outside the tent aiming in.

Perhaps. It is also true that as the years went by Mr Walker's sheer experience made his occasional pronouncements worth listening to, even if they were sometimes irritating to the new Right. He can claim to have been one of the earliest proponents of council house sales and a constant critic of monetarism.

Either way, the Prime Minister can ill afford the loss of a man who had no reason to fear the consequences of speaking out. Her performance in office has deteriorated markedly since the departure of Lord Whitelaw from office six months after the last general election. The subsequent appointment of Sir Geoffrey Howe as "Deputy Prime Minister" has not compensated for the latter's absence as someone willing to tell her when such-and-such a policy would simply not be accepted. Mr Walker had nothing like the clout of Lord Whitelaw, but in a pusillanimous Cabinet even one dissenting voice has its uses.

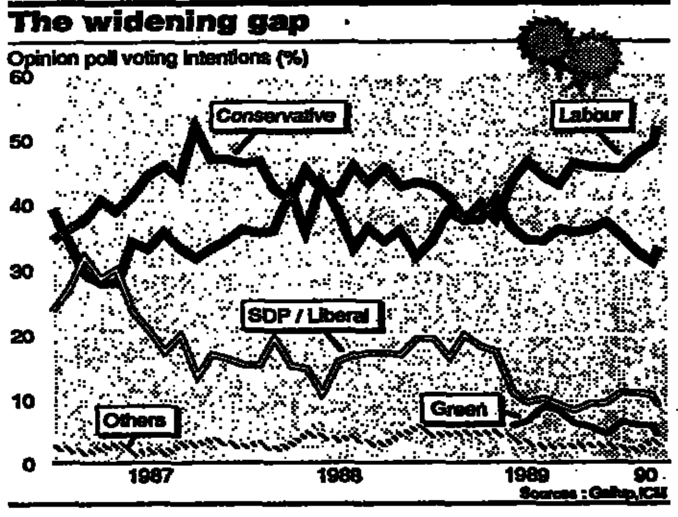
It is in that sense that his departure is damaging to the Government. As "another minister resigns" it will, of course, add to an atmosphere being created by a spate of negative items of news, but that is of less consequence than the need for more a experienced voice at the centre.

The policies that are turning away Conservative voters in droves are all part of the "new Right" philosophy. The list of items is lengthy. It includes opting-out of state schools from local authority control, the attempt to create a shadow market inside the National Health Service, the general air of infrastructural decay and, above all, the poll tax.

The Government could probably survive all of those if it could only get inflation and interest and mortgage rates down, but until it does so the cumulative effect of all the vote-repelling policies, plus bad news about the economy, will keep the Labour Party well in the lead. Against that accumulation of ill fortune, Mr Walker's decision to retire is of strictly limited significance.

Joe Rogaly

The widening gap



Political openness won over enemies

By Anthony Moreton, Welsh Correspondent

FEW people in Wales will welcome Mr Peter Walker's decision to leave the Welsh Office. That is a turnround for a man whose time in office did not start off well.

His appointment in 1987 was greeted with almost universal criticism within the principality. Few Conservatives really welcomed the choice of this man who said light-heartedly in his own defence that he could at least see Wales from his constituency.

Within a very short time, however, he had won over all sections of the community with his brand of open politics and government.

One of the first to see those virtues was Mr David Jenkins, secretary of the Welsh TUC, who got his knuckles rapped by other union leaders for saying this was a man with whom the Welsh could work.

Mrs Mattie Collins, of the Rhondda, was another, and it was perhaps no coincidence that the valley's programme aimed at rejuvenating an economically depressed area was presented in her borough.

One insider said yesterday that Mr Walker's greatest achievement was to have instilled confidence in a country that had been severely battered by the depression of the years between 1979 and 1983.

Mr Walker's good fortune was to arrive in Cardiff just after the economic upturn had started, and he rode the wave to push the recovery even faster. Among other things, he got a commitment from Mrs Thatcher on his appointment that more money would be available for Wales.

He was equally assiduous in projecting Wales abroad, especially in the Far East, from which so much inward investment has come, and in new sectors.

The move to Wales from Energy was widely seen as a demotion for a minister unloved by No 10. However, Mr Walker turned it to his own advantage. He knew that the Secretary of State for Wales could sit on a wide range of government committees. Most of his predecessors had not exercised their right to attend some of the more esoteric of them, but Peter Walker surprised colleagues by turning up at meetings where he had not been expected. The result was to give Wales a weight – a sense of gravitas – in government it had never had before.

At the age of 13 he read the FT: at 30 he was a millionaire

Alison Smith recalls a long career

THE announcement that the most experienced Cabinet minister in the Government has already made up his mind to jump will do nothing to help the the Tory party firefighters who have spent the last weeks urging colleagues not to panic.

Mr Peter Walker was not always in political accord with a number of his Cabinet colleagues, but the timing of his departure will cause concern even to those who regarded him as a licensed dissident.

Mr Walker's longevity as a politician - almost 30 years in Parliament and 25 as a front-bench spokesman - should not detract from his even longer career as a businessman.

"When I was 13 I was reading Dandy, but I was also reading the Financial Times," he told one interviewer. It is no surprise that he said yesterday that he wanted to make a contribution to British commerce in the 1990s.

Mr Walker's departure will deprive the Prime Minister of a highly skilled politician and a senior representative of a strand of party thinking different from her own.

He spoke in Cabinet beyond his departmental responsibilities, as a *dirigiste* with a long-standing belief that governments should work in partnership with industry. But his political achievement was longer-lasting than just survival.

He won Worcester, still his constituency, at a by-election in 1961. He organised Mr Edward Heath's successful leadership campaign in 1965. In 1970 he joined the Cabinet as Minister for Housing and Local Government. Later that year he became Secretary of State at the new Department of the Environment.

His time there will be remembered for his re-organisation of local government. His favourite memory from that period was of cutting through bureaucracy to list for preservation more than 20 of London's West End theatres.

He was hailed as a new Tory star - the youngest cabinet minister (under 40) and a self-made millionaire by the age of 30. He achieved and survived early in his career that political kiss-of-death, being tipped as a possible future prime minister.

In November 1972 became Secretary of State for Trade and Industry. At the DTI he established a firmly interventionist stance in industrial and consumer affairs, setting out his philosophy early in 1973. "It is the task of Government to see that the impetus of capitalism is harnessed to the interests of all the people," he said.

"The most successful countries are those countries where the state, the banking system and both sides of industry have joined together to agree on the international opportunities available and to take advantage of them."

He retained the industry portfolio when the Tories went into opposition in 1974, but not when Mrs Thatcher became leader.

In 1975 he had to cope with fall-out from the collapse of Slater Walker, the group he had founded with Mr Jim Slater in 1964. He had left it in 1970 on joining the Government.

He remained on the back benches until the election victory in 1979. Even then he was excluded from the areas of his greatest expertise and given the Ministry of Agriculture. Surviving that political graveyard, he took over in 1983 at the Department of Energy. It looked as though it would be just another sideshow.

But as he led the Tory campaign during the 1984-85 miners' strike. In Mr Arthur Scargill, the leader of the National Union of Mineworkers, he had found "the enemy within" whom all sides of the Tory party could unite in condemning. Avenging the 1974 election defeat of the Heath administration gave him some of his most satisfying moments in government.

If the prime minister had thought of provoking him to resign in 1983, that thought seemed underlined after the Tory election victory in 1987, when he was offered his present post as Welsh Secretary.

But his job did nothing to tame his dissidence. Three weeks before the Conservatives faced a difficult by-election in the Vale of Glamorgan last spring he said in a lecture to the Tory Reform Group that Britain's ills called for an interventionist stance in economic policymaking.

Tories panicking over the news of his departure from politics should perhaps take heart that so shrewd and experienced an operator would not be contemplating such a course if he shared the worst Tory fears about the state of the economy.

OTHER UK NEWS

Renault Truck Industries cuts jobs as losses surge to £6m

By Kevin Done, Motor Industry Correspondent

RENAULT Truck Industries, the UK subsidiary of Renault Véhicules Industriels of France, is understood to have made a loss of between £6m and £8m last year, a sharp deterioration from a loss of £1.5m in 1988.

RTI, the former Chrysler-owned Dodge truck operation, based in Dunstable, Bedfordshire, has been a consistent loss-maker since it was taken over by Renault in 1981. It made losses of £10.8m in 1986 and £3.1m in 1987.

The company plunged more deeply into loss last year in the face of falling sales, declining market share and a steep decline in output, caused partly by the troubled introduction of a new product range at the Dunstable plant.

The RTI management underwent a radical reorganisation last year and the company is cutting its workforce by 28 per cent in response to its failing fortunes and the general decline in the UK truck market. Its production workforce at the Dunstable assembly plant is being cut by 41 per cent to 400 from some 675.

RTI's truck output dropped by 23.2 per cent to 3,522 last year from 4,585 in 1988.

Production at Dunstable has been reduced to 12 trucks a day compared with 20 a day last year and the plant has been reduced to working only a three-day week until at least the end of April.

The company's share of the UK truck market has been falling steadily throughout the 1980s, but the deterioration has accelerated in the last three years, a period in which overall truck sales have grown very strongly before peaking in mid 1989.

Renault's share of the UK truck market (above 3.5 tonnes) fell to 6 per cent last year from 6.8 per cent in 1988 and 8.7 per cent in 1987.

The present drastic cutback in its operations comes as the UK truck market has gone into steep recession.

Total UK truck sales for the whole of 1989 were the highest of the decade at 69,234, but in the final quarter demand was 20.2 per cent lower than a year earlier. Truck sales plunged again by 28.9 per cent in January to 4,579 from 6,442 a year ago.

RTI, which had been seeking to gradually transfer production at Dunstable to Renault-designed vehicles and away from the older models it inherited with the takeover of the former Dodge operations in 1981, has been forced by sliding sales to halt local UK production of its G range of heavy trucks, which began in 1986.

RTI is increasing its investment in its sales and marketing operations and in its UK distribution network in an effort to cut stocks, increase sales and bring its dealers back into profit.

Labour urges NI Fund investigation

By Eric Short

MR Michael Meacher, Labour's social security spokesman, has called for an investigation into the National Insurance Fund.

His call, in a letter to Mr Robert Sheldon, Public Accounts Committee chairman, follows the disclosure that Mr John Bourn, the Comptroller and Auditor General, had qualified the fund's 1988-89 accounts because of unemployment benefit discrepancies.

Discussion deferred

LONDON'S International Stock Exchange will not discuss the controversial Elwes Report on the future of the UK equity market at its regular monthly council meeting today, writes Richard Waters. To allow the council more time to debate the report, a meeting has been arranged for March 19.

Trade gap worse in new and old industries, Labour says

By Alison Smith

BRITAIN'S trade deficit is becoming worse in new industries as well as old, according to a survey published yesterday by Mr Gordon Brown, shadow Trade and Industry Secretary.

Labour will use the survey in tomorrow's debate on industry called for by the Opposition. It will attack what it calls the Government's "wait-and-hope" stance.

That debate will also be a focus for Tory anxieties about the effects of high interest rates and the level of inflation, which will be increased by the impact of the introduction of the community charge on April 1, and higher fuel prices.

The survey shows a deficit on the crude balance of trade last year of £7bn for cars and other vehicles, £1.5bn for telecommunications equipment, £1.4bn for office machinery and data processing and £500m for photographic equipment.

The deficit in each of those areas has increased over its equivalent in 1988. The biggest proportionate increase in the deficit was in office machinery, which rose by over £400m.

While 1989 saw a £400m surplus in professional and scientific equipment and a £2.4bn surplus in other transport equipment, both surpluses were down on 1988, from £500m and £2.7bn respectively.

Mr Brown said that the study showed "the extent to which Britain is doing badly in high technology as well as traditional industries."

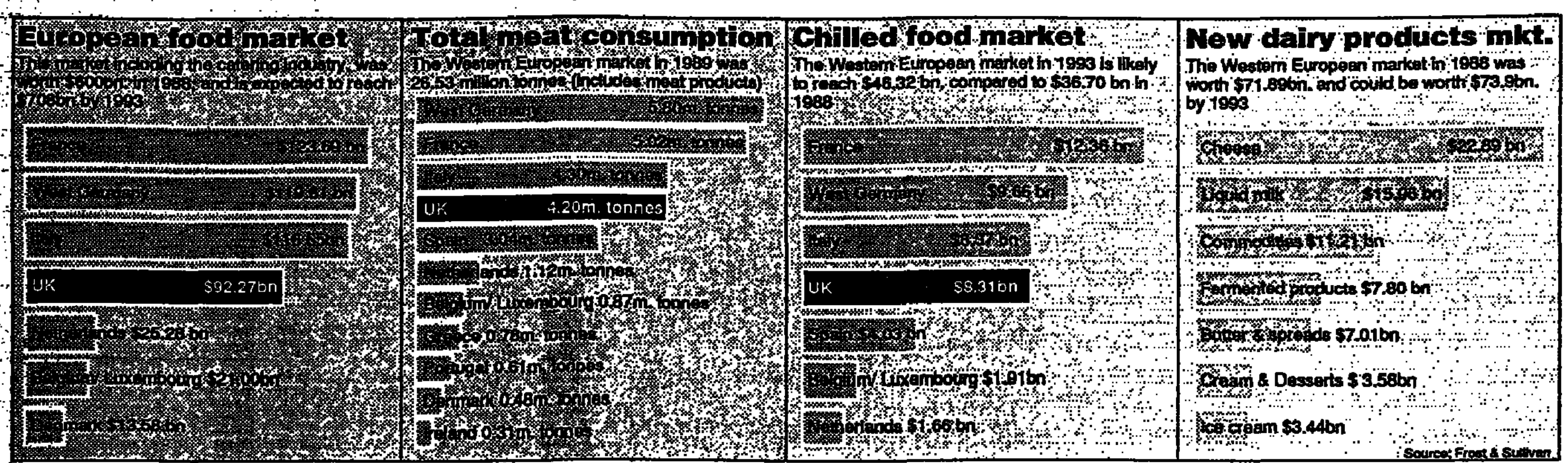
He said that the trade deficit in information technology totalled £3bn and was putting Britain at a disadvantage with leading European competitors.

CONTRACTS & TENDERS

FINANCIAL TIMES SURVEY

The West European food market is now worth over $600bn a year, but excessive expectations among manufacturers about the impact of a more integrated market among 320m Europeans in 1992 have been receding for some time, says Clay Harris, Consumer Industries Editor

Appetites are changing



ALTHOUGH there are regional differences among European countries — for example, the Italian preference for cereal foods such as pasta and bread — there is also a great deal of uniformity among the eating habits and buying patterns of the European nations, says a report from Frost and Sullivan, the market analysts.

While Europeans spent nearly $196bn on meat and fish in 1988 — the largest product sector in the food market — this figure is expected to rise to $223bn by 1993. Sharper growth is anticipated in other sectors, due to the nutrition-conscious move away from red meat and toward dairy products, cereals, and fresh fruit and vegetables. Cereal-product sales are projected to rise to $100.4bn in 1993 (from $81.8bn in 1988); dairy products should grow to $123.7bn (up from $101.6); and fruits, vegetables and potatoes from $91.9bn to $113.2bn, in the same period. Catering — food served in hotels and restaurants — will enjoy a rise to $136bn (compared to $118bn in 1988).

***Pork** is "by far the most important meat produced in the EC," says another report on meat products. "The consumer's attitude is relatively favourable, as pork is felt to have less negative health-related connotations than beef and sheep meats."*

Meat and meat products account for 52 per cent of chilled food consumption: this sector of of the chilled food market is expected to top $20.7bn by 1993, up from £19.15bn in 1988. France is the biggest consumer of chilled foods in Europe.

In a report on Western Europe's $72bn dairy products market, analysts predict that yoghurts and other fermented dairy products, dairy desserts of all sorts, and — in some countries — ice-cream, "are products which are likely to enjoy high growth rates," as the total market — boosted by many new product introductions — grows to $73.9bn by 1993.

□ Four reports: The Food Industry Market in Europe; Meat and Meat Products Market; New Dairy Products Market; and The Chilled Foods Market, available from Frost and Sullivan in London, tel.(01) 730-3438; and in New York, tel. (212) 233-1080.

THE FOOD INDUSTRY

IF ANYTHING slows the pace of mega-deals in the European food industry this year, it will be a waning appetite for junk. This is not a reflection of consumers' tastes, but of the willingness of financial markets to support highly leveraged bids. The two biggest transactions in the sector last year — and their long-term significance transcends their billion-dollar price tags — were direct results of the record $25bn takeover of RJR Nabisco at the end of 1988.

BSN of France consolidated its position as Europe's third largest home-grown food company, after Nestlé and Unilever, with the $2.5bn purchase of Nabisco's European biscuit and snacks business. Its prompt onward sale of Nabisco's UK snacks company to Pepsico, the diversified US drinks group, for $1.35bn has the potential to transform the entire European snacks and crisps sector from a British base.

The European fall-out from the slimming of RJR did not end there. In a deal which, unusually, won universal applause in the market, Polly Peck International made itself a global player in fruit distribution by purchasing Del Monte's fresh pineapple and banana business for $875m.

But that was last year. With interest rates rising across the world rising, and markets still trying to digest the US junk bond disaster, 1990 is unlikely to throw up any opportunities of a similar size, although distress sales by highly leveraged companies cannot be ruled out.

If this year seems quieter, however, that is only on the surface. Questions and tensions will continue to bubble away. These include:

■ **How big is the European market and which sectors will show the fastest growth rate?**

Food for Thought, a Geneva-based consultancy, expects the European Community food and drink market to show average real growth of 1 per cent per year by 1993 from its total of Ecu 570bn in 1988.

By far the largest expansion is expected to come in ready meals, which Food for Thought foresees growing by 9.4 per cent per annum. This would follow an annual advance of 8.3 per cent (and of 20.1 per cent in chilled meals alone) in the previous three years.

■ **How necessary will it be to be big and have global brands?**

Excessive expectations about the impact of 1992 have been receding for some time, except in countries which fear they will find themselves outside high external walls. Despite the culinary esperanto of McDonalds, Coca Cola and Nescafé, most food remains nationally distinctive.

With few exceptions, positions within each sector of each national market are more important than global size. If companies such as Nestlé, Unilever, BSN, Heinz and CPC appear in the first division in one country after another, it reflects local strengths as much as continent-wide economies of scale.

Nevertheless, Jim Grover of OC&C Strategy Consultants sees a variety of winning paths for the cross-border acquiror to follow. These include consolidation, as BSN is attempting in the Italian pasta market, and engineering growth in a less developed market, as the French company is doing with biscuits in Spain.

For the larger players, Pan-European distribution is also an important strategy. Moreover, the acquisitive company can use its entry into a new market to create a premium, higher margin segment in the sector. It will be especially interesting in this regard to watch how Pepsico develops Walkers and Smiths crisps and snacks in the UK.

Grover also argues forcefully that many acquisitions in recent years will fail, if only in the sense that even the bigger companies may not be able to support brands in all the sectors into which they have plunged. This could spark a round of unbundling, voluntary and otherwise, by the mid-1990s.

■ **Where does this leave smaller companies?**

Looking for a profitable niche, says Martin Bralsford of Premier Brands, the beverage, biscuit and preserves company which was a management buy-out from Cadbury Schweppes in 1986 and allowed itself to be taken over by Hillsdown Holdings last year. Bralsford argues that barriers mean profits, and that smaller companies will have to find new ways of setting themselves apart.

Nick Barton, specialising in the food sector on the County NatWest corporate finance team, singles out the UK-based fresh produce distributor Albert Fisher Group as having a particularly well-focused acquisition strategy. A spate of small and medium-sized purchases in the Netherlands has been important no much for their expansion to Fisher's distribution network as for the increasing buying clout the UK company has in Rotterdam, the main entrepôt for northern Europe.

■ **What about Japanese and US buyers?**

The Japanese have taken things very slowly. Mitsubishi Corporation's purchase of Princes canned foods and Trex brand fats and oils from Nestlé last year remains a rare exception. Unless the Japanese unexpectedly abandon their aversion to hostile bids, they will probably most often be spotted in a the selective brand acquisition or as a "white knight."

The reshuffle Grover expects in a few years may bring them to the fore. With some exceptions among commodity-based groups, little more should be expected from US concerns, in part because they have lost their knack. County's Barton observes: "The US companies are increasingly inflexible in their management style in auctions and negotiations." Opportunities may be missed as a result.

■ **Where do food retailers fit in?**

The prospect of a manufacturers' super-league unfettered by national barriers makes supermarket chains fear an erosion of their bargaining position. They are beginning to moot cross-border buying groups, cemented by cross-shareholdings, but retailing looks set to remain nationally based.

The prospect of a continental takeover foray into the higher margin UK market cannot be excluded, however.

■ **What do consumers want — and who speaks for them?**

The first part of this question is easier to answer. Morris Tabaksblat, chairman of Unilever's food executive, sums it up: "Health and proper nutrition is a big issue, but consumers are not really ready to sacrifice taste for that." Moreover, as Michael Jordan, president and chief executive officer of Pepsico Worldwide Foods, noted recently, consumers may say they are snacking less but the market shows they are snacking more.

An increasing number of consumers are buying *time* as much as any product. The success of cook-chilled foods in the UK, pioneered by Marks and Spencer and its main supplier Northern Foods, is but one example.

Only one European meal in three is a meal taken at home en *famille*. Quite apart from the growing number of one- and two-person households, many larger families eat as individuals: hence the growth of individual portions and part-prepared meals and the popularity, until recent health scares, of microwave ovens.

But who speaks for the consumer is a thornier question. In the UK, especially, there appears to be a danger of communications breaking down. Some manufacturers now openly speak of consumer organisations as "politically motivated." They risk alienating a broader mass of customers which is genuinely concerned about, but perhaps not obsessed by, quality and safety factors and does not appreciate being dismissed as faddists.

On the other hand, scare-mongering which cannot put risks into perspective and which dismisses the possibility that consumers themselves must take some responsibility for hygiene is hardly constructive.

The Government's role cannot be overlooked. It has failed to win the public debate over its intention to allow the irradiation of food, a process for which free-market demand seems to be singularly thin. With irradiation, the Government appears to have chosen a technological blunderbuss of limited utility and unknown consequences.

□ *Food & Drink Database, 1990 edition, Volume 1: Market Data. Food for Thought, rue de Mont-Blanc 4, CH-1201, Geneva, Switzerland; SFr5,000/£2,000.*

□ *The European Food Market 1989, Euromonitor, 87-88 Turnmill Street, London EC1M 5QU; £375.*

□ *The Restructuring of the European Food Industry. OC&C Strategy Consultants, Kings Buildings, Smith Square, London SW1P 3JG; free.*

□ *The Food and Drink Industry in Europe. Speakers' Papers. FT Conference Organisation, 2nd floor, 126 Jermyn Street, London SW1Y 4UJ; £175.*

Tim Dickson in Brussels examines directives for EC food manufacturers

Blueprint for a new Europe

EUROPE'S MAJOR FOOD MANUFACTURERS
Performance ranked by pre-tax profits in $m

	Main sector	Pre-tax profits 1988
Nestlé	Various	2,917.0
Unilever	Various	2,678.8
Pepsico	Various	1,137.0
BSN	Various	654.4
Associated British Foods	Milling/ baking	423.2
Cadbury Schweppes	Confectionery/drinks	385.7
Reckitt & Colman	Various	341.1
Jacobs Suchard	Confectionery/coffee	323.8
United Biscuits	Various	303.9
RHM	Various	279.6
Hillsdown	Various	269.5
Tate & Lyle	Sugar	214.5
Rowntree	Confectionery/snacks	200.1[1]
Dalgety	Various	197.1
Berisford	Sugar/various	191.6
Unigate	Dairy	179.5
Douwe Egberts	Coffee,etc	156.6
Northern Foods	Various	152.3
British Sugar	Sugar	146.4
Huhtamäki	Confectionery	124.3
Mars Food Manufacturers	Various	107.0[1]
Bongrain	Dairy	105.5
Provendor	Various	96.2
Kellogg	Cereals	94.6
Cultor	Sugar	92.8
Dairy Crest MMB)	Dairy	89.3
Hazlewood	Various	83.0
Heinz	Various	79.6
Express Foods	Dairy	78.8[1]
De Danske Sukkerfabrikker	Sugar	72.0
J Lyons	Various	71.3
CSM	Various	64.1
Fromageries Bel	Dairy	59.9
Fitch Lovell	Various	57.1
Hendrix	Meat	54.0
Nora	Various	49.7
Buitoni	Pasta, etc	44.0[1]
Mars GmbH	Various	33.0
Ferrero	Confectionery	26.5[1]
Tulip	Meat	19.9
Kellogg Deutschland	Cereals	15.3
DMV Campina	Dairy	15.1
CCFRiesland	Dairy	4.5
KVI	Various	0.2
Arla	Dairy	Negligible

Note: [1] 1987
The food industry in Europe is highly concentrated among major manufacturers in the UK and the Netherlands, while the degree of concentration in the national food industries varies considerably from country to country.
Source: Euromonitor, London, tel. (01) 251-8024.

BEAR IN mind that pots of jam fill a tiny proportion of the average supermarket shelf space.

Then consider that the European Community took eight years to negotiate a directive setting rules for the manufacture of what one Brussels diplomat refers to disparagingly as "a mixture of sugar and fruit."

A moment's reflection and it is easy to appreciate why, in the mid-1980s, the EC needed a "new approach" to food harmonisation if its magic 1992 deadline for a single market in this sector was ever to be achieved.

Traditional methods – adopting a separate Community measure for each national provision – were getting nowhere at the time as Ministers regularly got bogged down in the details of national recipe law or, to paraphrase the joke, the intricacies of what is, or is not, a Eurosausage.

But as the authors of the famous 1985 Commission White Paper were putting their heads together on how to go about completing the internal market, help was to hand in the form of a very important European Court judgement.

The European Commission's Communication of November 1985* – still the blueprint for Community policy in the food sector – explicitly acknowledges the significance of the 1979 Cassis de Dijon ruling in establishing what that paper calls the "new orientation."

"The principles developed by the Court of Justice subsequent to the Cassis de Dijon judgement", it said, "now enable the Community to define a system of food legislation only containing provisions that are justified as being necessary to satisfy essential requirements in the general interest. The touchstone is the principle of proportionality which means that legal measures must not go further than is genuinely necessary to achieve the desired objective."

In concrete terms, the decision was taken to limit future Community legislation on foodstuffs to provisions justified by the need to protect public health, provide consumers with information and protection in matters other than health, ensure fair trading, and guarantee the necessary public controls.

Provided these conditions were satisfied, the principle of "mutual recognition" took care of the rest.

The foundation of the new policy rests on so-called "framework" directives tabled in early 1986 and covering issues like food additives, materials and articles coming into contact with food, foodstuffs for particular nutritional uses, and labelling.

That is where problems between member-states were thought most likely to arise and where clear common rules for the 12 were felt to be most urgently needed.

The history of the last five years is that of the EC's efforts to agree the five main framework directives – achieved in all cases in 1988 – and, just as importantly, to fill in gaps where more detail is needed and where new concerns have emerged.

On additives, for example, there is still an enormous amount of work to be done laying down conditions of use in each food category for the 500 or so additives now on sale in the EC (to be based on admissable daily intake levels set by scientists as an indication of what is safe for consumers).

Scores of so-called "application" directives are expected to follow the framework directive here, but while old proposals on food colourings and anti-oxydents will probably get swept up in these discussions, no "new approach" ones on additives have so far been tabled.

The Council of Ministers recently reached a common position on nutritional labelling – the information to be carried and the way in which it should be displayed when a nutritional claim is made by the manufacturer.

But while the general framework directive on food labelling established that the "best before" system will be standard after 31 December 1992, that the "sell by" system in the UK will have to go after this date, and that frozen foods and long life foods with a shelf life of more than 18 months will have to be datemarked – other general labelling rules have yet to be tackled.

The same goes for materials and articles where the Commission – under powers delegated in the framework directive – has recently adopted an "application" directive dealing specifically with plastic materials used in the preparation and packaging of foods. Other measures will follow in due course.

Most of what is happening at present is more technical than political – the hard slog of getting detailed scientific approval.

An important exception is the sensitive negotiation over irradiated food – a process which arouses strong consumer reactions and which is authorised in some member states, but not in others.

Questions to be resolved include which products can be treated and what common information should be displayed on labels.

If the sheer volume of work ahead is one reason to be sceptical of the 1992 deadline, another is the gathering debate in the EC on food quality. The French Government is not without support, for example, when it worries that open borders could open the floodgates to synthetic foods from other member states, in turn displacing agricultural products "to an excessive degree."

Last October, Agriculture Ministers of the EC devoted their informal meeting in Beaune to this issue and the contents of a French paper which floated ways in which regional food standards could be protected.

Mr Henri Nallet, the French Farm Minister, scotched suggestions that his Government wants to cover Europe with the Appellation d'Origine Controlee system – laying down strict rules on preparation, contents and geographical origin – but the paper nevertheless envisaged an EC wide inventory of regional specialties, together with detailed quality control rules.

The situation at the moment is that the Commission is drawing up a response. Italy, Spain, Belgium, Luxembourg and to a lesser extent Germany are broadly sympathetic to the French view with the Netherlands and the UK the most suspicious.

Mr Raymond MacSharry is on record as opposing a narrow, restrictive approach.

But while some names like Cheddar and Brie have become almost universal in their use – and could hardly be "retrieved" – it seems likely that the Commission will seek to provide some protection for more jealously guarded brands when its proposals emerge.

** Completion of the Internal Market: Community legislation on foodstuffs; COM (85) 603.*

Forecast changes in European food markets in $bn

Major markets	1988	1989	1990	1991	1992	1993	% change, 1988-93
France	97.3	97.9	98.8	100.3	101.9	103.6	6.47
Italy	108.9	109.7	110.4	112.2	114.0	115.7	6.29
UK	61.5	61.9	62.3	63.1	64.0	64.8	5.36
West Germany	116.6	116.9	117.2	119.0	120.7	122.5	5.07
Belgium	18.3	18.4	18.4	18.6	18.8	19.0	3.93
Luxembourg	603m	618m	632m	666m	700m	734m	21.71
Netherlands	19.44	19.7	20.0	20.7	21.3	21.9	12.64
Denmark	10.0	10.1	10.3	10.7	11.2	11.6	16.47
Finland	9.3	9.3	9.3	9.4	9.4	9.5	1.90
Norway	9.3	9.4	9.4	9.4	9.4	9.4	0.97
Sweden	16.9	17.4	18.0	19.2	20.4	21.6	27.63
Portugal	10.7	10.8	10.9	10.8	10.8	10.8	0.58
Spain	59.8	60.3	60.9	61.6	62.3	63.0	5.29
Austria	12.4	12.5	12.5	12.7	12.9	13.1	5.90
Greece	13.3	13.9	14.8	16.1	17.6	19.1	44.12
Ireland	5.3	5.4	5.5	5.8	6.1	6.4	20.86
Switzerland	20.3	20.1	19.9	19.6	19.3	18.9	−6.62
European total	580.6	595.1	599.7	610.6	621.6	632.5	7.10

These projections, from Euromonitor's report, "Consumer Europe, 1989-90," are based upon a number of assumptions which are self-evidently open to challenge, but without which no calculation would be possible. For example, the figures are based upon exchange rates at 1988 levels; and that purchase taxes, value-added taxes and excise duties also remain unchanged at 1988 levels. Details about the full report are available from Euromonitor, London, telephone 01-251-8024.

Takeovers by European food groups, 1988-1989

Purchaser	Purchased	Product range
BSN (France)	Birkel (West Germany)[1] Galbani (Italy) Nabisco European	Pasta Dairy Biscuits
Cadbury Schweppes (UK)	Bassett (UK) Trebor (UK)	Confectionery Confectionery
DMV (Netherlands)	Melkunie (Netherlands)[2]	Dairy
Douwe Egberts (Netherlands)	Van Nelle (Netherlands)	Coffee
Grand Metropolitan (UK)	Pillsbury (US) Burger King and Wimpy	Various Fast food chains
J Lyons (UK)	Dunkin' Donuts (US)	Coffee & doughnuts
Nestlé (Switzerland)	Rowntree (UK) Buitoni Group (Italy)	Confectionery Pasta, confectionery
United Biscuits (UK)	Raffinerie Tirlemontoise (Belgium) Ross Youngs (UK)	Sugar Frozen foods

Notes: [1] Still subject to approval; [2] Merger
Source: Euromonitor report: European Food Companies, 1990.

European canned food industry

Competition intensifies

CANNED food, with its [illegible] image, has had a problematic decade.

Competition from frozen, fresh and chilled foods and lack of innovation by canners are among the reasons for the lack of growth in the value of of canned products in Europe, most notably in West Germany, Italy and the UK, three of the four largest European markets.

Lack of innovation by canners has been regarded as as a prime reason why market share has been lost to frozen foods.

Euromonitor, the market research organisation, says that "certainly frozen foods have had a severe impact on canned foods sales during the present decade, but with hindsight this could hardly be avoided.

"New frozen foods products have developed very rapidly in conjunction with household penetration of freezers, the the extent that in the major industrialised markets frozen foods are now largely integrated into mainstream grocery retailing while growth in freezer ownership has slowed significantly.

"Indeed, a certain equilibrium between frozen and canned foods is being reached and both sectors now face growing competition from irradiated or "picofoods", and from long–life package formulas."

Analaysts add, however, that the major canners, which include some of the world's biggest food groups such as Campbell Soup Co., HJ Heinz, RJR Nabisco, Nestle and Unilever, had sought for some years to be innovative, but with mixed results.

Soup and sauce canners had, for example, a moderate success with aseptic packaging; in Italy, strained tomatoes from Parmalat, the market leader, were only sold in tetrabriks while the ring-pull can had generally been well-received.

Manufacturers, says Euromonitor, are prepared to invest heavily in order to compete with other food sectors, while new developments such as the introduction of fish–in–brine indicates that manufacturers have sought to respond to the health lobbyists.

Exotic and convenience canned food are helping to improve the market. In France, for example, sales of prepared meals in cans, such as cassoulet, are giving some impetus to the market while exotic vegetables such as bamboo shoots and artichoke hearts and fruit such as lychees, guavas, kiwi and mangoes are contributing to increased sales in their respective market niches in several countries including France, the US and the UK.

The UK market for canned foods is the second largest in Europe, after West Germany. The UK's canned sector has been out-performed by most of the other food sectors other than dairy products and meats according to Datamonitor, the research organisation.

The meat and vegetable sectors of the market have declined steadily as a per centage of the total over the last eight years, although the market for canned fish has expanded rapidly.

Tuna is the largest segment of the fish market with the sector dominated by John West and Princes. Datamonitor says that since the fish is sourced from all over the world, not simply from the North Sea, as in the case of much of the frozen and fresh fish in Britain, "the canned market is much better positioned to deal with problems of supply.

The market for canned fruit will decline in volume in the UK, suggests Datamonitor, as will that of canned meat and vegetables. As to the ubiquitous baked bean, the report says that the market will suffer a slight fall in real value as volume sales slip and the price per unit moved ahead only marginally.

"The competitive nature of the market and the advance of canned pasta will ensure only limited price increases," it adds. "Some measure of trading up will occur with added-value ranges being expanded."

Lisa Wood

THE FOOD INDUSTRY 3

SNACK PRODUCTS

A dynamic market

SNACKING is not a recent phenomenon. Indeed, the verb "to snack" has been in the Oxford Dictionary since the early nineteenth century. What is more recent is the increasing popularity of snacking. The decline in the traditional family meal occasion and the simultaneous increase in informal eating patterns are major contributory factors to this trend.

The snack market - now very highly developed in the US and Canada - is big business. PepsiCo, for example, is the world's largest international marketer of snack foods, operating 28 businesses in 22 countries, with more than 50,000 employees, 18,000 sales routes and 78 plants. The group sees an opportunity to double its snack business to $2bn over the next five years.

The snack market is traditionally defined to include crisps, savoury snacks and nuts. It is one of the most dynamic markets within the food industry. The European market is worth about £4bn, according to PepsiCo.

Although the UK and the Netherlands have the largest markets in Europe, developments is rapid in Spain, Portugal and Italy.

In the UK, more than 18m packets of crisps, 7m packets of savoury snacks and 1m packets of nuts were sold each day in 1988. Total snack sales through grocers, catering establishments, cash and carries and CTNs in 1988 rose to £668m, £306m, £223m and £146m, respectively.

Rising interest rates and the resultant cuts in consumer spending have had remarkably little effect on the snack market. Both standard and premium varieties are now regarded as routine, rather than "treat" purchases.

Crisps are still the most popular snack and account for around 60 per cent of sales.

Savoury snacks showed the most dramatic growth within the snack market in 1988. Made from reconstituted maize and potato flour, the manufacturing process involves expanding the product and extruding it through a nozzle. Simply by varying the nozzle shape and size, an infinite variety of savoury snacks can be produced.

Another development within the adult sector has been the launch of snack products with a positive health message. Kelp Crunchies from Kelp Farm, for example, uses seaweed as its distinctive ingredient and is ideally suited to vegetarians.

The adult sector of the total snack market is characterised by exotic and sophisticated products positioned at the premium end of the market.

Perhaps the success of this sector is, to some extent, a result of those individuals who, as children, enjoyed snacking and who have continued this trend as they have grown older.

Snack foods – both in the *savoury and confectionary sectors* – continue to have a remarkable success throughout the world. In Europe, snack market growth will mainly be swallowed by the increasingly dominant multinationals, suggests a report from Euromonitor. Cadbury, for one, is intending to expand its interets, especially in West Germany and Italy.

In the savoury snack sector, increased concentration in retail grocery markets will further stimulate larger packs and multi-pack formats.

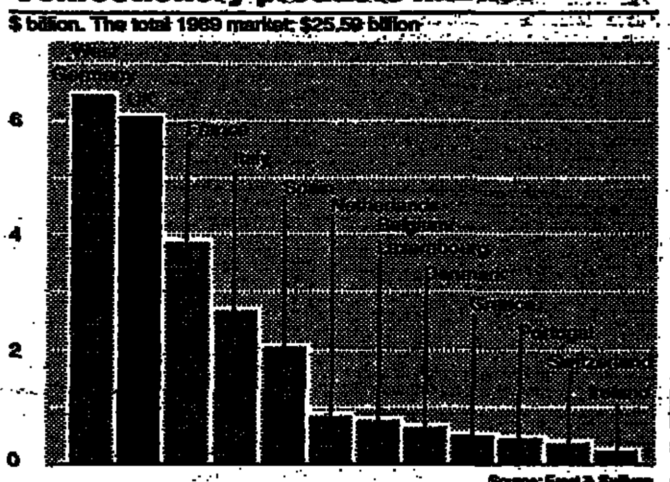
In the UK, the snack market has been characterised by increasing segmentation, with products launched on a variety of platforms, including low fat, high-fibre, "premium" variety and exotic. Although well-established in the UK, the market is still expanding and diversifying. It now represents 43 per cent of market sales throughout Britain, West Germany, Spain, Italy, France, Holland and Belgium.

In the US, an important new segment is the low-oil potato chip. The market is dominated by Pringles Light and Ruffles Light, and manufacturers intend to expand the consumer base for crisps by appealing to the more health-conscious consumer.

Jill Pearson

Confectionery products market

$ billion. The total 1989 market: $25.59 billion



Source: Frost & Sullivan

□ The West European confectionary market is one of the most important sectors in the packaged food industry, accounting for 4.2 per cent of all consumer spending in 1988, with chocolate confectionary alone worth over $16bn. In the UK, more than £1.1bn worth of biscuits are consumed each year, along with £2.3bn of chocolate and £1.1bn in sugar confection.

The Biscuit, Cake, *Chocolate and Confectionery* Alliance (BCCCA) has welcomed a conclusion in the Department of Health's recent COMA report on sugars "that there is little evidence to link sugar consumption with heart disease, obesity, cancer and diabetes," but is disappointed that the Committee on Medical Aspects (COMA) "chose to under-value the evidence implicating *all* carbohydrates in dental caries." The two main areas of disagreement, says the BCCCA, are: (a) that starchy foods and fresh fruit can be *safe for teeth, and (b)* the intrinsic/extrinsic differentiation in relation to dental caries.

Moves to beat food-tamperers

THE deliberate contamination of food – or "the new terrorism," as it has been dubbed in the US – was largely unknown a decade ago. But in the latter half of the 1980s extortion for political gain, financial betterment, attention or revenge, by tampering with food, drink and drugs, sent shockwaves through the food industry in Europe and the US.

The threat was not merely economic: lives were at stake as well. The new terrorism came into its own in Chicago at the end of 1982 when seven people died after they took extra-strength Tylenol capsules – an over-the-counter medicine for headache – which had been contaminated with potassium cyanide.

Later, the number of reported product-tampering incidents in the US climbed from 120 in 1985 to 1,720 in 1986. Animal-rights activists introduced the idea to the UK in 1984 with the contamination of shampoo with bleach. Later that year, activists claimed they had contaminated confectionary items. Although the Mars scare proved a hoax, the company withdrew 3,000 tons of confectionary and lost sales worth an estimated £15m – and £2.8m in profit.

Since then, there has continued to be a variety of threats in other sectors - in 1989 contamination in the UK reached new *levels of* menace. Glass in crisps and in baked beans, coleslaw – and even in nappies – razor blades in baby food, weedkiller in grape juice: the threats became steadily more bizarre and dangerous.

Food companies have stepped up security in stores and factories

Publicity prompted one woman to falsely claim that a Heinz baby dinner had been spiked with a drawing pin. She was fined £100.

In another case, a man was jailed for 60 days for falsely claiming he had found a needle in a jar of banana yoghurt. He had kept up the pretence for nearly a month and sparked off a baby food scare in Ayrshire. He told police he had made up the story to get more attention from his girlfriend.

Few of the leading food companies and supermarkets were left unscathed. Some of the wider-known cases involved Heinz, Cow & Gate, Kraft Foods, Smith Foods, HP Foods, KP Foods.

In the US, within a week of the first poisoning following the tampering with Tylenol, the authorities in Illinois and Chicago required all over-the-counter drugs to be sold in sealed containers. In 1983, the Federal Anti-Tampering Act came into force.

As the number of "copy-cat" cases increased, packaging manufacturers started demanding the use of "tamper-evident" packaging for food as well as pharmaceutical goods. In the UK, the crime of product contamination was included in the Public Order Act 1986.

After the Mars hoax, the manufacturers developed contingency plans for dealing with future crises and offered to share their experience with other companies. The Home Office set up a special unit to handle contamination crimes.

One way in which companies have tried to stem the problem is with an increased use of tamper-resistant or tamper-evident packaging, designed to stop people contaminating a product or, where product contamination has occurred, to make such interference apparent before consumption.

But such measures carry a cost: it is likely that tamper-evident packaging for food and drink could soon become the norm, costing the industry millions of pounds and forcing up retail prices.

Premier Brands, which in 1988 spent an estimated £500,000 on new tamper-evident packaging for its Chivers Hartley jams, says it has such plans for all its products.

Heinz and Cow & Gate reacted quickly to its own baby food tampering scares by introducing shrink-wrapped plastic sleeves.

In April last year there were 200 reported cases of contaminated baby food. Manufacturers offered a reward of £100,000 for information leading to arrest. At the time of the baby food incidents, Tesco, Asda and Boots, plus several co-operative societies and convenience chain, Circle K, withdrew Heinz and Cow & Gate products.

The larger supermarket chains have sponsored the setting up of the Food Safety Advisory Centre in the wake of last year's food scares. Reading Scientific Services has now extended its help-line throughout Europe for companies with contamination problems.

The larger food businesses have stepped up vigilance and security in stores and factories. They have also set up management crises teams, sent their executives on courses and invested in tamper-evident packaging.

Andrew Don

CHILLED AND FROZEN MEALS

Innovation abounds

THE CHILLED foods market – in particular, ready-made meals and dishes – is forecast to rise to $46.3bn in Europe by 1993 - up from $36bn in 1988.

The reasons for rising sales, according to a report from Frost and Sullivan, market analysts, is the increasing number of working women and one and two-person households, coupled with an ageing population. The greater penetration of microwave ovens and the reduced use of food manufacturers' preservatives, are also key factors. A shorter shelf-life favours the growth of the chilled food market.

France has the biggest market for chilled foods, with sales of around $9bn, followed by West Germany, with over $8bn.

In the UK, the frozen and chilled food sectors share many common elements. Both sectors are showing healthy signs of growth, and both have been inundated with new, innovative products. Both sectors reflect the changing lifestyles of consumers. UK sales, worth £6.6bn in 1988, could rise to £8.31bn by 1993.

Convenience foods emerged as a symbol of the 1980s. One contributory factor has been the increase in the number of women working outside the home. In 1981, women formed 40.4 per cent of the UK workforce, and this proportion had risen to 42.3 per cent by 1988.

This trend is certain to continue as a direct result of the demographic time-bomb which is already revealing a decline in the number of school-leavers. With less time available to shop for and prepare foods, there is a growing proportion of individuals for whom convenience of purchase, storage and cooking is highly desirable.

The increase in the ownership of fridges and freezer units, plus microwave ovens, has boosted the growth in these sectors. UK household ownership of fridges/fridge-freezers reached 98 per cent in 1988. It is undoubtedly in the area of domestic ownership of microwave ovens where the chilled food demand has been most spectacular. From virtually zero in 1980, ownership rose to around 50% in 1989. The microwave is perhaps the greatest instrument of the modern lifestyle in the UK.

Ready-made meals offer great convenience; the frozen ready meal market is nearly three times the size of the chilled equivalent. The latter has, however, been growing at a faster rate since 1985. This is against the backdrop of increasing concern over the safety of food. As a result, the growth rate for 1989 was undoubtedly lower.

The trade responded swiftly to the rising demand for more fresh products, free from additives. Unfortunately, this has left the chilled products more vulnerable to bacteria like salmonella and listeria.

Both sectors have been threatened by the recent microwave scare, and this has encouraged many suppliers to detail very carefully their respective cooking instructions.

The UK frozen food market is now worth over £2bn, and the growth in this sector can be partly attributed to the wealth of carefully targeted products. The trade estimates that added value products accounted for 55 per cent of the frozen food market in 1988, compared to 39 per cent in 1980. The UK's chilled sector is currently worth over £1bn.

Although the frozen and chilled sectors share many common *elements, they* are very different in many respects. This is particularly true of their supply structures. In frozen food, the manufacturers' brands are strong, with "own-label" products accounting for only 36 per cent of sales.

Own-label is, however, strong in commodity sectors such as vegetables. In chilled food, the manufacturers' brands struggle for shelf space as the major multiples devote the majority of their space to own label, which accounts for over 57 per cent of sales.

The UK market is becoming more discerning and cosmopolitan, and the variety of lines offered in the frozen and the chilled sectors will continue to be an important element in maintaining high consumer interest. Buyers will maintain their search for unusual, tasty and versatile products, providing suppliers with a strong sales opportunity, whether it be with own-label products or with manufacturers' brands.

Jill Pearson

UK consumption of frozen and chilled 'ready' meals ('000 tonnes)

	1985	1986	1987	1988	% change 1985-88
Frozen ready meals	87.5	98.7	113.5	130.5	+49.1
Chilled ready meals	27.3	33.0	39.8	46.6	+70.6
Total in '000 tonnes	114.8	131.7	153.3	177.1	+54

Source: Market Power

DISTRIBUTION SPECIALISTS

Route to cost-savings

New distribution services are increasingly complex, usually tailor-made to needs of individual customers, says KEVIN BROWN

FOOD retailers in the UK have little to learn about the importance of an efficient supply-chain in controlling costs and maximising revenues. But the distribution specialists who serve them face significant problems in transferring their expertise to Continental Europe.

Experience over the last decade has shown that control of the supply chain can cut shelf prices by between 12 per cent and 20 per cent, according to the product – sufficient to make a significant difference to the bottom line.

The multiple food retailers were among the first to spot the savings which could be made, and their success in controlling transport and logistics costs helps explain why they now control more than 70 per cent of the UK grocery market.

As the dominance of the UK multiples has grown, they have sought to maximise the savings to be made from better stock control, logistics, information technology and warehousing as well as the operation of vehicle fleets.

The solution has been the establishment of third party distribution specialists, which took over the complex distribution function from the multiples, allowing them to re-invest capital and management time in their core business of retailing.

As a result, third party operators now have around 70 per cent of the UK groceries distribution market – by far the highest proportion anywhere in Europe.

The development of the industry has been a virtually continual success story over the last five years or so, as companies of the calibre of NFC, Christian Salvesen and Tibbett & Britten have reported a steady stream of new contracts.

As the industry has grown, the services it offers have become increasingly complex, usually tailor-made to the requirements of individual customers.

For example, Exel, the logistics division of NFC – which includes household names such as Brooke Bond Foods, Marks and Spencer, Mars, Sainsbury and Tesco among its food industry clients – operates 20 grocery depots, five of which turn over more than £10m a year. The scale and complexity of the operation is indicated by the four regional distribution centres operated by Exel for Tesco and Sainsbury's, each of which employs more than 300 people. Three of the centres a multi-temperature composite warehouses each with an area of more than 250,000 square feet.

However, as the market matures, competition is intensifying, and there are some indications that the market share of the specialist companies may have peaked.

Mr Reg Bailey, the partner responsible for distribution services at Peat Marwick McLintock, the accountants and management consultants, says the specialists may find it difficult to penetrate the remaining share of the market held by own account operators.

One reason for this is that the multiples see advantages in retaining part of their distribution network within their own hands as a means of maximising flexibility and leverage.

This thinking is also reflected in a trend towards shorter, less exclusive contracts, which seems to be gathering pace in the industry. Some multiple retailers are thought to have had very frank discussion with their distribution specialists on this score.

All of this indicates problems ahead in the UK market for the distribution companies, and helps to explain why many of them are now looking to the European Community for future growth.

There is little doubt that the distribution specialists are well ahead of their Continental competitors in their command of the complex skills of the industry. But there are some doubts about the ease with which the Continental market can be conquered.

For one thing, multiple retailers have a much lower market share in Continental Europe – a recent survey indicated that multiples have only 50 per cent of the groceries market in West Germany, 45 per cent in France, 41 per cent in Spain, and 13 per cent in Italy.

As a result, the market share of third party distribution specialists is correspondingly low – around 15 per cent in West Germany and France, less than 2 per cent in Spain, and nil in Italy.

Some industry commentators argue that the virtual absence of third party distribution skills in Continental Europe's food industry provides an opportunity for UK companies to achieve rapid growth.

But Mr Bailey is one of a number of analysts and academics who are now urging a more cautious approach based on adapting local distribution networks rather than attempting to impose the sophisticated systems which have developed in the UK.

Many of the considerations which encouraged UK multiples to contract out their distribution operations do not exist in Continental Europe, or have less impact.

For example, one important factor behind the growth of the Uk industry was the attraction for many multiples of off balance sheet financing – which tends to be less important in many Continental countries, especially West Germany.

Also, there is less incentive for Continental companies to contract out in order to rid themselves of industrial relations problems because labour relations tend to be less confrontational than in the UK.

UK distribution companies which were initially very optimistic about the prospects in the Continental market have taken these issues on board over the last year, and have begun to approach the market in a more cautious fashion.

Christian Salvesen and Exel, for example, have both entered the Continental market on the backs of customers with which they have a long-standing relationship in the UK.

However, Exel is also firmly on the acquisition trail, with a director committed full time to trying to spot small Continental distribution organisations which would be worth buying.

PRODUCT DEVELOPMENT

Complex exercise

COMPANY survival in the food industry depends in no small way on the ability to adapt to the changing needs of the consumer. In the increasingly complex and dynamic environment facing the industry, the ability to react quickly to changing consumer expectations is vital. It is also a vast and complex exercise.

European consumers are a fickle lot and eating habits are not easy to change. As Mr Clive Wilson, manager of the marketing consultancy division at PA Consulting group points out:

- In Spain, breakfast is not a "meal occasion."
- The French eat vegetables separate from their entrée.
- In Germany, chilled desserts are down-market.
- In France, yoghurt has to be live.
- The Dutch eat biscuits after a meal.

The return on investment for successful major brands launched into a market with strong marketing support can be good. But new product development process can be very costly and fraught with potential disaster.

Success in any product area can never be guaranteed. Thousands of new food products are tested each year, but few reach the point of a full retail launch.

In a creative process such as this, it is reasonable to assume a certain level of wastage. Yet failure rates typically average between 70 per cent and 90 per cent. This is despite years of extensive research into many factors which influence customer-choice.

A trip around any supermarket provides ample evidence of new product activity. And as the wider European market approaches, the UK will undoubtedly see many "new" brands. However, most of the current new products in the UK are brand extensions, which allow companies to capitalise on their brand strengths.

Indeed, brand extensions can prove to be far more successful than significantly new product launches. Research by Goodall Alexander O'Hare, for example, discovered that only 32 per cent of new food products survived for two years after their launch, compared with 50 per cent for line extensions.

New product launches are clearly not restricted to markets showing healthy growth. Indeed, even in the bread market there has, over the past few years, been a great deal of activity, as the statistics on this page indicate.

Bread, whether it be the worthy white loaf or the fashionable French stick, still remains a staple element in the British diet. Indeed, in the UK, more than 10m large loaves are consumed every day. Furthermore, the bread industry is the second largest in the food sector, with annual sales of £2bn.

Bread consumption in the UK has been fairly static in total since 1983. Despite this, the bread market has been buoyant – this can be attributed to the growing concern over the intake of fibre in the UK diet. It can also be attributed to the swift response from the bread industry, in launching new products which are consistent with this consumer-concern. White bread is still the favourite, although its consumption has fallen by more than 25 per cent between 1983 and 1988. In 1983, 67.8 per cent of all bread consumed in the UK was white; but in 1988, this proportion had fallen to 51.5 per cent. Brown bread, however, has continued to rise in popularity, and its consumption increased 21 per cent during the same period. By 1988 it accounted for 12.9 per cent of bread consumption, compared to 10.4 per cent in 1983.

Even more noteworthy is the increase in the popularity of the wholemeal/wholewheat varieties. This category grew 59.3 per cent between 1983 and 1988 to account for 14.2 per cent of sales in 1968.

This is clear evidence to support the trend towards the consumption of more brown/wholemeal/wheatmeal varieties in the UK. The bread industry has been supplying varieties rich in dietary fibre for some time. Indeed, the ever popular British Bakeries' Hovis brand is celebrating its centenary this year.

British Bakeries have carefully segmented this sector and have launched a host of new products on the back of the Hovis brand including Hovis Country Grain. In July 1989, the Hovis Stoneground wholemeal loaf, which is made with organic flour, was launched, bringing the Hovis range to seven. the first national "green" initiative in the bread market.

It was also the concern over the fibre content of the UK diet which prompted the launch of the soft grain bread varieties. This has proved to be one of the greatest success stories in the UK bread sector.

Jill Pearson

Changes in the UK consumption of bread (ounces per person per week)

	1983	1984	1985	1986	1987	1988
White	20.9	20.1	19.4	16.5	16.0	15.6
Brown	3.2	3.5	3.7	3.8	3.7	3.9
Wholewheat/wholemeal	2.7	3.1	3.6	5.4	4.7	4.3
Other bread*	4.0	4.0	4.3	5.1	6.2	6.5
Total	*30.8*	*30.7*	*31.0*	*30.5*	*30.8*	30.3

* Includes rolls, french bread, soft grain, premium, etc

Source: National Food Survey

Percentage changes in UK bread consumption

	1983	1984	1985	1986	1987	1988
White	67.8	65.5	62.6	53.1	52.3	51.5
Brown	10.4	11.4	11.9	12.5	12.1	12.9
Wholewheat/wholemeal	*8.8*	*10.1*	*11.6*	*17.7*	*14.9*	14.2
Other bread*	13.0	13.0	13.9	16.9	20.7	21.4

* Includes rolls, french bread, soft grain, premium, etc

Source: National Food Survey

Growing awareness of health and safety issues

More joint ventures

HEALTH, nutrition and food safety are vital issues with phenomenal profits at stake – and as manufacturers and grocery chains seek points of differentiation, the health aspect is seen as one way of creating that distinction.

The industry is aware, too, that a failure of safety for one product can lead to a collapse in demand across an entire food sector.

Two significant phases in the past decade have also spurred customer-demand in the UK for healthier, "more natural" food and subsequent effort by the food industry to meet this demand.

The first first was the publication of the 1983 discussion paper from the National Advisory Committee for Nutrition and Education (Nacne), recommending more detailed food-labelling, and the report – a year later – on diet and cardiovascular disease by the Department of Health on medical aspects of food policy.

The second phase was the more recent wave of food safety scares over salmonella and listeria.

In 1976, the European Commission issued a directive on nutritional information for foods. This was later included in the Food Labelling Regulations of 1984.

UK Government interest in the links between diet and heart disease also speeded up the process of giving nutritional information, the foundations of which had already been laid by some of the larger food companies. While rigorous product testing and sampling techniques are now common among today's manufacturers, the food chains also provide a vast range of information about nutritional values and healthy eating habits.

Among the first, for example, was the ABF subsidiary, Allied Bakeries, which added information to its Allinson and Vit-Be bread in 1983. In 1985 the Allinson and Vit-Be Hi Bran brands were the first bread products to carry the Health Education Council endorsement. The "Bread is Good For you" campaign came out of the discussions to reduce bread's salt content.

Kellogg had already adopted a standard format for labelling in 1979. Eden Vale was the first dairy goods manufacturer to label its products with nutritional information in response to increased consumer interest.

St Ivel launched its Gold brand in 1977 which carried details of energy and reduced fat-content. In 1982, it introduced nutritional data on yoghurts, salads and cottage cheese.

Manufacturers such as Findus, Nabisco Brands, Pasta Foods and Flora manufacturer Van den Berghs & Jurgens began to produce publications on healthy eating.

This activity was largely limited to famous brand names. But in 1985 Tesco became the first UK supermarket chain to provide nutritional information on its own-label products, well in advance of legislation.

The company also produced a series of leaflets introducing consumers to healthy eating - this programme was supported by consumer advisory groups around the country.

Jimmy Gulliver's Argyll Stores launched a Customer Information Programme in 1985 for its Presto Food Markets. The company supplied free leaflets and menu suggestions.

British Home Stores also launched its Natural Foods range with nutritional labelling. Bejam, well-known for its innovative products, created a Healthy Eating Advisory Service, with advice on how to organise personal diets.

The Co-operative Wholesale Society launched an "Eat Right" campaign, introducing a booklet, wall chart, leaflets and nutrition advisory service. It also began uniform nutrition-information for the labelling on its 1,500 own-label products. In the same year, Sainsbury announced that it would label its 4,000, plus own-label goods with nutrition information to a standard format.

Concern with health increased during the 1980s as the issues of additives, pesticides and organic food became areas of intense consumer-concern. Interest in vegetarianism increased to the extent that large superstores now devote entire sections to health products and supplements.

Numerous scares concerning drinking water in the late

The economic cost of safety mishaps in manufacturing can be high. Source Perrier, the French mineral water group, whose international brand image has been built on purity and health, recently withdrew its world stocks of 160m bottles, following the discovery of minute traces of benzene in some shipments. The sudden setback for Perrier provided a massive boost for rival mineral water suppliers.

As health-consciousness increases, supermarket chains place tough demands on their suppliers. In the area of fruit supplies, for example, the Tesco chain will not sell apples sprayed with the controversial pesticide, Alar (which is allowed in the UK, but banned in the US.)

So seriously do the supermarkets take the health and safety issue that six of them funded the UK's Food Safety Advisory Centre last year which brought rivals together in joint research programmes.

Andrew Don

The economics of food safety

AROUND 160m meals are eaten in the UK each day.

Some 32,234 cases of food poising were reported in 1987, compared with 9,839 in 1977 – "but these figures underestimate the total incidence of food-borne disease, because an unknown number of incidents' remain unreported," says Prof. John Marsh, of Reading University.

Speaking on the economic costs of a failure of food safety at recent FT conference on the food and drink industry, he added: "In the wake of a series of 'food scares' associated with such unattractive words at 'salmonella,' 'listeria,' the number of reported cases of food poising has grown alarmingly, but it is still unclear whether this is a change in medical fashion or a change in the real world."

While fresh fundamental understanding of the chemistry and microbiology of food was a starting point for the discovery of safer methods of food-processing, "to achieve a high level of food safety, at an affordable economic cost, requires thought and action from us all."

MANAGEMENT

International luxury goods

Dior strives to put its house in order

The French couturier is striving to regain its once pre-eminent position. Alice Rawsthorn explains how

For the next few days the *ateliers* on the third floor of Christian Dior on the Avenue Montaigne in Paris will be bustling with activity as the stylists and seamstresses put the finishing touches to the next season's *prêt à porter* collection.

The offices and meeting rooms on the other floors are bustling too. Behind the chic facade of the fashion house, Christian Dior is in the throes of a management revolution.

Since Béatrice Bongibault slipped into the managing director's seat nearly two years ago, the house of Dior has changed dramatically. Designers have been hired and fired. The design studios have been restructured. New stores have opened. Tighter financial controls have been introduced. Nearly a quarter of the old licensees have been dropped.

Bongibault is determined to restore Dior to its status as the most prestigious – and profitable – of the Paris fashion houses. Her new regime has not only brought dramatic changes to Christian Dior, it is influencing the management of the other houses too. (see box)

Dior has been the bastion of French fashion since 1947 when Christian Dior introduced the waspy waists and picture hats of his New Look to post-war Paris. By the time Bongibault arrived from Chanel, where she headed its fashion interests, in the summer of 1988, it was still one of the world's most famous fashion houses. Marc Bohan, who had designed its *haute couture* since 1960, counted Princess Caroline of Monaco and Liza Minelli among his clients.

But the company's financial fortunes had faltered over the years. It lost control of its perfumes – potentially the most profitable part of its business – in a financial crisis in the late 1960s. The fashion house was later sold to Boussac, the troubled textile empire eventually taken over by Agache, the French industrial group headed by Bernard Arnault, who has been fighting a bitter battle for control of LVMH: Moët-Hennessy Louis Vuitton, the luxury goods group.

Despite the loss of its perfumes, Dior had used the glamour of its name to assign a string of licensing deals for everything from stockings to sunglasses. But its margins had fallen to less than 2 per cent on sales of FFr5.2bn (£535m) in 1988.

In the longer term Agache was worried that Dior could lose its cachet in the increasingly competitive international fashion industry. The Italian designers – such as Giorgio Armani and Romeo Gigli – had emerged as serious competitors to the French houses. And in Paris, Dior seemed staid when compared with Christian Lacroix, the hot young *haute couturier* also backed by Agache, and Karl Lagerfeld, the West German designer who had revitalised Chanel.

Bernard Arnault decided radical changes were needed if Dior were not to lose its laurels and its licensees to other houses. He appointed Béatrice Bongibault to make them.

Bongibault, 37, is a phenomenon in French fashion. During her six years at Chanel she had worked closely with Karl Lagerfeld and had steered the house through a frenetic period of expansion. She is also infamous for having appeared at a catwalk show only a day after having a baby. Her appointment at Dior was indicative of the scale of the changes Arnault intended to make.

When she arrived at Dior, Bongibault faced the challenge not only of revitalising a fading company, but of getting to grips with the idiosyncracies of the fashion industry.

Fashion is a funny business. The Paris houses make most of their money not from the most visible part of their business – the collections – but from licensing in the lucrative global market for luxury goods.

The *prêt à porter* collections are not particularly profitable and the fashion houses almost always lose money on *haute couture*. But the prestige and publicity generated by the catwalk collections – more than 1,000 journalists flock to Paris for the loss-making *couture* shows – enables the houses to attract licensees.

Haute couture is really a form of advertising that creates the luxurious image which will persuade people to buy stockings and sunglasses bearing the Dior name.

Yet there is a danger that, if there are too many stockings and sunglasses on the market, the image of the house may be tarnished.

The secret of running a successful fashion house is to strike a balance between making enough money through licensees, without jeopardising the exclusivity that originally attracted them.

The Paris fashion industry is littered with examples of houses that have suffered because of their failure to strike that balance. Pierre Cardin, for instance, has signed so many licenses that he has lost his aura of exclusivity.

As Bongibault was well aware, any attempt to revitalise Dior by applying conventional business principles – such as stripping out loss-making activities, like *haute couture* or assigning a string of new licenses – would have been disastrous. Her challenge was to improve Dior's profitability by modernising its management without destroying the traditional base of the business.

Her first priority was design. Marc Bohan was a respected figure in French fashion and his subtle designs were well suited to the middle-aged women who bought the Dior *couture* collections. But the younger European designers, like Christian Lacroix and Romeo Gigli, were hogging the headlines.

This problem was aggravated by the structure of Dior's design system, where different designers were responsible for different collections and there was no clear strategy for the design of licensed products. This meant that the house no longer had a distinctive "look" of the sort that Christian Dior had created in the 1940s and Karl Lagerfeld had given Chanel with his reinterpretation of its classic suits.

Bongibault began by looking for a new designer. A number of different designers – including Thierry Mugler and Claude Montana, who now works for Lanvin – were mooted as likely contenders. Last May she announced that Gianfranco Ferre, a 45 year-old Italian designer, had been appointed – reputedly at a salary of \$2m (£1.2m) – to succeed Marc Bohan.

The fashion press, which loves nothing better than a scandal, flung itself into a furore. Ferre's appointment and the abruptness of Bohan's departure – he was little more than a year away from retirement – caused a sensation. Karl Lagerfeld was quoted in Women's Wear Daily, the US trade paper, as saying he would "rather be a beggar on the streets than work for Bernard Arnault".

Bongibault is unrepentant. Ferre, she says, is "perfect" for Dior and Bohan had known there were going to be changes long before the announcement was made.

The complaints continued until Ferre's first *couture* show last July. The collection was a tribute to Christian Dior with the full skirts and cinched waists of the New Look. "We wanted to show that we respected the tradition and spirit of the house," says Bongibault.

The fashion press, fickle as ever, was rapturous. Ferre even won the "Golden Thimble" award for the best collection of the season. New customers, like Tina Turner, the singer, flocked to the Avenue Montaigne. The seamstresses could scarcely keep up with demand.

Bongibault went on to reorganise the rest of the design system. Gianfranco Ferre now has responsibility for both *couture* and *prêt a porter*. Dominique Mourlotti is in charge of men's wear. There is also a *bureau du style*, or studio, responsible for all the licensed products, so that the design of all the products bearing the Dior name is controlled from the centre. "Everything must be done in the same spirit," says Bongibault.

After design, the next priority was licensing. Bongibault was dissatisfied with the quality of some of the licensed products and was concerned that others – like a collection of furs made in South Korea and a range of men's underwear – were not in keeping with Dior's luxurious image.

Some licensees have been dropped. Others, like Gruppo GFT, the Italian textile group, have increased their work for Dior. All in all Bongibault has weeded out 60 of the original 260 licensees in less than two years.

All the licensees now work to tighter specifications. The *bureau du style* circulates guidebooks, with details of shapes, colour, fabrics and even the type of trimmings. A team from Paris flies all over the world to check that the licensees are meeting Dior's standards of product quality and customer service.

The Avenue Montaigne also controls advertising. In the past the Dior offices in New York and Tokyo took responsibility for advertising in their markets. Bongibault insists that Dior must present a uniform image all over the world. All its advertising – even for the licensed products that are not sold in Europe – is created in Paris.

In the longer term the Avenue Montaigne will work more closely with Dior Perfumes too. The perfumes, which include Miss Dior and Poison, are owned by LVMH, which is also headed by Bernard Arnault. There should be closer co-operation between the two companies in the future especially in areas such as advertising.

Bongibault is now intent on growth. Her immediate objective is to expand the *prêt à porter* women's wear business, which she believes has not explored its full potential. The first Ferre ready-to-wear collection, shown last October, is now going into the shops. It will be sold through 50 selected stores including Bergdorf Goodman in New York, Harrods in London and I Magnin in Los Angeles. Bongibault expects *prêt à porter* sales to increase tenfold – albeit from a small base – this year.

She is also keen to expand Dior's retailing interests. The company has opened a new store in Hawaii, modelled on the Avenue Montaigne, and has remodelled its Geneva store along the same lines. These stores are intended to act as showcases for Dior, partly to show licensees how the collection should be presented.

So far the new regime has succeeded in boosting sales – from FFr5.2bn in 1988 to FFr7.0bn in 1989 – but the impact on profitability has been modest. "Our profits are far too low, but we are still investing in the business," says Bongibault. "This year will be another year of investment. But in 1991 and 1992 we should start to see an improvement in profits."

If Bongibault's strategy works, Bernard Arnault will have proved himself to be one of France's more innovative industrialists, not just another opportunistic investor. If it fails, Agache will lose a fortune and Arnault will lose face.

Whether Bongibault succeeds or not, the French fashion industry has changed irrevocably. The other houses are now employing the same tactics of hiring and firing designers, weeding out weak licensees and sharpening financial systems that Béatrice Bongibault has adopted at Christian Dior. The frivolous world of Paris fashion will never be quite the same.

AGACHE, the conglomerate that controls Christian Dior, is not the only industrial group to have discovered the appeal of Paris fashion. One by one the old established Paris houses have been snapped up by industrial and financial groups.

Cerus, the French company controlled by Carlo de Benedetti, the dynamic Italian industrialist, has a holding in Yves St Laurent – which became the first publicly quoted fashion house when it floated on the Paris Bourse last summer. Astorg, a subsidiary of the Suez Group, led the team of French investors which bought control of Courrèges from Itokin last month.

LVMH, another of Arnault's interests which owns Dior perfumes, has acquired Givenchy. Orcofi, which controls the Vuitton family's interests, has joined forces with L'Oréal, the cosmetics group, to buy Lanvin from Midland Bank.

The allure of the fashion houses to this new breed of investor is that they offer an *entrée into the buoyant global* market for luxury goods. The new investors intend to use their skills and resources to turn the houses into profitable businesses through which they can assign licenses.

St Laurent was able to buy back its perfumes thanks to Carlo de Benedetti's investment. The arrival of the Midland helped Lanvin to overhaul its financial systems and to hire Claude Montana as its new haute couture designer. Givenchy has opened stores and diversified into cosmetics thanks to LVMH support.

Yet the liaisons between the fashion houses and their new investors have not been entirely successful. The story of Courrèges under Itokin acts as a cautionary tale of what can happen when commerce clashes with fashion.

Courrèges was making heavy losses when Itokin arrived in the mid-1980s. The Japanese company sought to stem the losses by cutting back on loss-making businesses like couture. The result was disastrous. André Courrèges, the original designer, resigned and Courrèges was expelled from the elite Chambre Syndicale de la Haute Couture.

The feud simmered on until a few weeks ago when Itokin sold its controlling interest to the group of French investors led by Astorg. Their first priority is to bring back André Courrèges and make peace with the Chambre Syndicale.

Béatrice Bongibault: faced with revitalising a fading company

CONSTRUCTION CONTRACTS

Loughborough research centre

COSTAIN MANAGEMENT DESIGN, a subsidiary of Costain Group, has been awarded a contract by British Gas, to manage the construction of a £50m research centre at Loughborough.

The research centre is being built as part of a re-organisation of research and development operations by British Gas. The main emphasis of the work at the centre will be on the design and efficiency of gas-fired equipment for industry, commerce and the home, and on reducing gas supply costs.

The centre, due to be completed to shell standard by January 1993, will comprise five principal buildings built mainly on reinforced concrete pad foundations with structural steel frames and composite metal decking and concrete floor slabs.

The external walls will include cavity brick and blockwork construction and composite insulated profiled cladding.

The main building of 26,576 sq metres is designed as two interconnecting blocks, each with its own courtyard, and includes low bay and medium bay laboratory and office accommodation with roof-top plant rooms.

The two-storey reception building of 2,021 sq metres provides the main entrance for staff and visitors and will house exhibition areas, lecture, and conference facilities.

The remaining three buildings comprise the School of Fuel Management containing office accommodation, lecture rooms and demonstration laboratories, the chemical technology building for research activities and the energy centre.

Salford Quays development

Letters of intent have been issued for the £19m contract to build the first phase of Harbour City, the Manchester Ship Canal Company's international business centre at Salford Quays.

BALFOUR BEATTY BUILDING is to start work immediately *on the construction of* a 10-storey office tower named The Victoria, a multi-storey car park, plus a public house and a restaurant both located on the waterfront.

Completion of the first phase of construction, totalling 165,000 sq ft, plus 929 car spaces, is scheduled for November 1991.

Two further buildings, the Alexandra Court, and the Prince Regent Galleria housing both office and retail accommodation, will also be built speculatively by the Manchester Ship Canal Company.

Additional phases of the 16 acre site surrounding the former No. 9 Dock have been earmarked for development to clients' specific requirements on *a design and build basis.*

Office block

SIR ROBERT McALPINE AND SONS has been awarded a £7.6m contract for a three-storey office block on the Aztec West business park at Almondsbury, near Bristol, by Arlington Business Parks.

Occupying a 15,500 sq metres site, the building will be supported on reinforced concrete pad foundations and reinforced in situ ground floor slab. The building, which will provide 7,000 sq metres of offices, will be of structural steel frame construction with metal decking floors finished in structural concrete. External finishes will be a combination of facing brickwork with aluminium framed sealed double glazed window units.

£22m projects for Amey Construction

AMEY CONSTRUCTION has been awarded contracts worth £22m. The first is a £9m order from the Department of Transport to build the A16 Boston to Algarkirk diversion in Lincolnshire – *a nine kilometre section* of new single carriageway road, parallel to the existing A16 along the route of a former railway line.

Construction will start shortly and take two years to complete.

The second is an award by Hertfordshire County Council of a £2.3m contract for overlay to the M1 northbound carriageway between junctions 8 and 9.

The work will be carried out on a lane rental basis, commencing early March for completion within 56 days.

Finally, the Department of Transport has placed an order, worth £10.5m, for the Sayers Common to Muddleswood section of the A23.

The works comprise the construction of 5.2 kilometres of dual carriageway to the east of the existing A23 – by-passing Sayers Common and Albourne – and are due to start in March with completion scheduled in 21 months time.

Refurbishing London office buildings

Contracts, worth £7.9m, to give two London buildings a new lease of life have been awarded to **LOVELL GROUP** companies. The larger, a £6.4m contract, has been awarded to Lovell Construction by the London & Paris Property Group. Lovell is to carry out extensive structural alterations and upgrading of York House, a 1930s building in Kingsway, London WC2.

The 7,000 sq metre office building comprises basement, ground and eight upper floors. Work involves the demolition and rebuilding of the central core and office area which occupies about one third of the building. The top three floors of the Keane Street elevation at the rear of the building will be rebuilt using a steel frame structure to provide a mansard roof with dormer windows.

The office floors will be fitted out to high specification with integral air conditioning and electrical systems controlled by the London & Paris building management system. Access to the development will be from the Keane Street frontage through a marble and granite lined reception area. Work on the 80-week contract is scheduled for completion in July 1991.

Hertford House, an Edwardian building at Tavistock Place, London WC1, is to undergo extensive structural alterations and refurbishment under a £1.5m contract for Dial Securities awarded to Walter Lilly & Co.

As part of the refurbishment open plan offices will be provided throughout the 1,785 sq metres building by replacing internal dividing walls with structural steel columns and beams. Raised floors and suspended ceilings will also be installed to carry M & E services and the building will be fully air conditioned. Externally the brick and stonework facade will be cleaned and new windows fitted throughout.

Work starts shortly and completion is scheduled for November.

Major Dorchester Hotel refurbishment

ELLIOTTS OF READING, a Trafalgar House company has recently been awarded a contract for about £4m for work at London's Dorchester Hotel in Park Lane.

Awarded by Sir Robert McAlpine Management Contractors on behalf of the Dorchester Hotel London the contract includes the manufacture and installation of joinery to eight floors consisting of corridors, bedrooms and bathroom suites.

Working from the eighth floor downwards, work within the hotel's corridors includes; cross corridor door frames and architraves manufactured from mahogany incorporating featured raised and fielded panels offset and complemented by the hardwood skirting.

DIARY DATES

PARLIAMENTARY

Today

Commons: Aviation and Maritime Security Bill, remaining stages.

Motion on Pneumoconiosis Regulations.

Lords: Coal Industry Bill, report.

Property Services Agency and Crown Suppliers Bill, second reading.

Motion on the Town and Country Planning (Fees for Applications) Scotland Regulations.

Question to Government on the Director of Public Prosecution's decision not to prosecute people who have threatened the life of Mr Salman Rushdie.

Select committee: Public Accounts: subject, Gibraltar Pensions. Witnesses: Sir Peter Wright, Foreign Office, and Mr T. Lankester, Overseas Development Administration. (Room 16, 4.30 p.m.)

Tomorrow

Commons: Opposition debate on "The balance of payments deficit, high interest rates and the impact on industry."

Motion on the Prevention of Terrorism (Temporary Provisions) Act 1989 (Continuance) Order.

Lords: Human Fertilisation and Embryology Bill, report.

Motions on Representation of the People Regulations and European Parliamentary Elections Regulations.

Select committee: Foreign Affairs: subject, Unesco. Witnesses: Mr Tim Sainsbury MP and Foreign Office officials. (Room 15, 3.30 p.m.)

Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.) King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Debate on the first report of the Select Committee on Members' Interests concerning Mr John Browne MP.

Lords: Debate on the work of the Citizens Advice Bureau followed by debate on "The pressures on staff of the National Health Service."

Abortion (Amendment) Bill, third reading.

Select committees: Trade and Industry: subject, British Aerospace/Rover. Witnesses: chairman and officials of the Board of Inland Revenue. (Room 15, 10.45 a.m.)

Defence: subject, procurement of the Rapier. Witnesses: Ministry of Defence officials. (Room 16, 10.50 a.m.)

Energy: subject, cost of nuclear power. Witnesses: North of Scotland Hydro-electric Board and South of Scotland Electricity Board. (Room 8, 11 a.m.)

Employment: subject, Employment Department group. Witnesses: Mr Michael Howard, Employment Secretary, and Mr Timothy Eggar, Employment Minister of State. (Room 15, 4.15 p.m.)

Home Affairs: subject, Crown Prosecution Service. Witnesses: Home Office and Lord Chancellor's Department officials. (Room 20, 4.15 p.m.)

Public Accounts: subject, Property Services Agency district works offices. Witness: Mr A. Brown of the PSA. (Room 16, 4.15 p.m.)

Social Services: subject, community care. Witnesses: Mencap, Mind, National Schizophrenia Fellowship, VOICES, Carers' National Association, Contact a Family and Alzheimer's Disease Society. (Room 21, 4.15 p.m.)

Treasury and Civil Service: subject, Civil Service Pay and Conditions of Service Code. Witnesses: Sir Robin Butler, Cabinet Secretary and Head of the Home Civil Service and officials. (Room 8, 4.30 p.m.)

Procedure: subject, working of the select committee system. Witnesses: Mr Andrew Bennett MP and Mr Tony Marlow MP. (Room 6, 5.30 p.m.)

Joint Committee on Consolidation Bills: subject, town and country planning measures. Witnesses: Mrs Maggie Leakes of the Office of Parliamentary Counsel and Miss J. Cochrane. (Room 4, 4.30 p.m.)

Committees on private bills: Cardiff Bay Barrage Bill (Room 5, 10.30 a.m.) King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: Food Safety Bill, second reading

Lords: Pensions (Miscellaneous Provisions) Bill, committee.

Civil Aviation Authority (Borrowing Powers) Bill, committee.

Government Trading Bill, second reading.

Question to Government on cost of the Westminster and Chelsea Hospital.

Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.) King's Cross Railways Bill. (Grand committee Room, Westminster Hall, 10.30 a.m.)

Friday

Commons: Private members' bills.

FINANCIAL

TODAY

COMPANY MEETINGS-

Barr (AG), 1908, Gallowgate, Glasgow, 11.00
Berisford International, Painters Hall, 9, Little Trinity Lane, EC., 11.00
Granada, The Savoy Hotel, Strand, WC., 11.30
Sturge Hldgs., The General Council of British Shipping, 30-32, St. Mary Axe, EC., 11.30
United Scientific Hldgs., Abraham Lincoln Room, Savoy Hotel, Strand, WC., 12.15

BOARD MEETINGS-

Finals:
Capita
City & Commercial Inv. Tst.
Cdns. Vantage Tst.
Cresta
Persimmon
Ransomes
Serco
[illegible]
Sussex & Vine
Unidare

Interims:
Green (Ernest)
Intereurope Technology Services
Jourdan (Thomas)
NESCO Invs.

DIVIDEND & INTEREST PAYMENTS-

Bank of Ireland (Governor & Co of) Und Var Rate Nts $2243.75
Cardiff Property 1.5p
Commonwealth Bank of Australia 8⅝% Nts 1993 3.1875pc
Dixons 1.5p
Ensearch Corpn. 20cts
Exmoor Dual Inv. Tst. Inc 2.25p
Fisons 2.2p
Gillette 24cts
Hardys & Hansons 18.7p
Lockheed Corpn. 45cts
National Australia Bank Step-Up Cpn Nts 1992 Y78.25
Palmerston Hldgs 3.625p
Richards 2.75p
Rockwell Intl. Corpn. 19.5cts
Shaftesbury 1.5p
Thornton (GW) Holdgs. 2.75p

TOMORROW

COMPANY MEETINGS-

Kelsey Industries, Kelsey House, Wood Lane End, Hemel Hempstead, 11.00
McMullen & Sons, 26, Old Cross, Hertford, 12.45
Medminster, 10, Old Burlington St., W, 10.00
Treatt, Angel Hotel, Angel Hill, Bury St. Edmunds, Suffolk, 12.00

BOARD MEETINGS-

Finals:
BICC
Blagden Inds.
Clinton Cards
De Beers
Expamet Intl.
Fisons
Fleming Mercantile Inv. Tst.
Greggs
Pacer Systems
Raine Inds.
Robinson (Thomas)
Templeton, Galbraith
Victaulic
Oy Wartsila
Waterman Partnership Hldgs.
Wates City of London Props.
Walmoughs
Wyevale Garden Centres

Interims:
Haggas (John)

DIVIDEND & INTEREST PAYMENTS-

Associated British Foods 3.5p
BFG Finance Co BV $214.06
Bank of Greece 10¾% Ln Stk 2010 5.375pc
Bank of Montreal 11⅜% Dep Nts 1991 5.6875pc
Barclays Overseas Inv. Co BV Gtd Fltg Rate Nts 2004 $227.82
Croda Cosmetics & Toiletries 7½% Uns Ln Stk 87/92 3.75pc
Dares Estates 8% Uns Ln Stk 92/97 4pc
IMI 7¼% Uns Ln Stk 87/92 3⅝pc
Joseph (Leopold) Hldgs. 9¼% Uns Ln Stk 97 2002 4.625pc
Kunick 1.3p
National Westminster Bank Var Rate Cap Nts 2009 £378.11
Prism Leisure Corpn. 1.5p
TMD Advertising Hldgs. 3.75p
Waddington (John) 10½% Deb Stk 90/95 5.25pc
Whitbread & Co 9⅛% Red Deb Stk 91/96 4.575pc
Yorkshire Chemicals 10% Deb Stk 91/96 5pc

WEDNESDAY MARCH 7

COMPANY MEETINGS-

London Scottish Bank, St. James's Club, St. James's House, Charlotte St., Manchester, 12.00
Lookers, Lancashire County Cricket Club, Talbot Road, Stretford, Manchester, 12.00

BOARD MEETINGS-

Finals:
Anglo American Gold
CRH
Cowie (T.)
Fairey
GKN
Heywood Williams
INSTEM
Life Sciences Intl.
Mersey Docks & Harbour
Metal Bulletin
More O'Ferrall
Pickwick
Singapore Para Rubber
Ultramar

Interims:
Chelsea Man
Domestic & General
Galliford
Gent (SR)
Golden Hope Plantations
Lawtex
Sinclair (Wm.)
Synapse Computer

DIVIDEND & INTEREST PAYMENTS-

Barclays Bank 7½% Uns Cap Ln Stk 86/91 3.75pc
Consolidated Gold Fields Fin Gtd Fltg Rate Nts 1995 £190.33
Energy & Resources Intl. Ld Ptg Red Prf 1cts
Gold Fields of South Africa 70cts
Investors Capital Trust 1.175p
Kelsey Industries 18.375p
Prudential Corpn. Fltg Rate Nts 1996 £378.95
Sainsbury (J) 7¼% 1st Mtg Deb Stk 87/92 3.625pc
Sotheby's Hldgs. Shs of Class A Lim Vtg Com Stk 100cts

THURSDAY MARCH 8

BOARD MEETINGS-

Finals:
ADT
Antofagasta
Baynes (Charles)
Coats Viyella
Cussins Property
Forward Technology
Ladbroke
MTL Instruments
Microvitec
Nichols (JN) (Vimto)
Pentland
Pentos
TI Group
WPP
Woodchester Invs.

Interims:
Bailey (Ben)
Brierley Invs.
CALA
Mucklow (A & J)

DIVIDEND & INTEREST PAYMENTS-

Aukett Associates 2.75p
BP America Inc 10% Gtd Nts 1996 5pc
Bank of Ireland Prim Cap Nts $217.19
Chase Manhattan Corpn. Fltg Rate Nts 2009 $214.06
Desoutter Bros (Hldgs) 3.6p
Hongkong & Shanghai Banking Corp Ld Prim Cap Und FRN Sec Ser $107.81
London Scottish Bank 1.65p
Norfolk House 3.375p
Renold 7¼% 2nd Deb Stk 92/97 3.8125pc
Treasury 10% Stk 2003 5pc
Western Selection 0.3p

FRIDAY MARCH 9

COMPANY MEETINGS-

French (Thos), Jubilee Suite, Lancashire County Cricket Club, Old Trafford, Manchester, 11.30
Yorkshire TV, Hilton International Hotel, Neville St., Leeds, 12.00

BOARD MEETINGS-

Finals:
Anglo Am Gold Inv.
Perry

DIVIDEND & INTEREST PAYMENTS-

Allied-Signal 45cts
Anheuser-Busch 22cts
BankAmerica Corpn. 25cts
Barnes Group 35cts
Boeing 30cts
Colonnade Development Capital 3.2p
Dun & Bradstreet Corpn. 60cts
Ellis & Everard 2.2p
Harrison Industries 2.3p
Lebowa Platinum Mines Ld 25cts
Morgan (JP) & Co 10% Nts 1998 5pc
National Medical Enterprises 18cts
Nobo 2.42p
Primadona 1.5p
River & Mercantile Extra Income Tst. 1.575p
Rustenburg Platinum 125cts
Sun Co 45cts
Texaco Cap Stk 75cts
Warner-Lambert 76cts

SATURDAY MARCH 10

DIVIDEND & INTEREST PAYMENTS-

Agricultural Mortgage Corpn. 6⅝% Deb Stk 85/90 3.3125pc
Exxon Corpn. 80cts
General Motors Corpn. 75cts
Do. Bdrs 3.75cts
Grace (WR) 35cts
Houston Industries Inc 74cts
Lilly (Eli) 41cts
Scott Paper 20cts
Treasury 5½% Stk 2008/12 2.75pc
USX Corpn. 35cts
United Technologies Corpn. 45cts

LEGAL COLUMN

Pressure mounts on firms to declare revenue and earnings

By Robert Rice, Legal Correspondent

THE TIME is fast approaching, when, like it or not – and most of them do not like it one little bit – UK lawyers are going to have to give in to mounting pressure to make publicly known the gross revenues of their firms together with partners' earnings.

Pressure to come clean will not stem from their being in any sense being publicly accountable. But, as a great many partners in City law firms now earn considerably more than all but the highest-paid captains of industry, they might feel it worthwhile, as a public-relations exercise if nothing else, to provide their clients with more information about the economics of running a law firm.

Rather, it will stem from the increasingly competitive environment for the provision of legal services worldwide over the coming decade.

Once a firm sees advantages in declaring how well it is doing, others will have to follow suit

In many ways it will result directly from the increasing importance law firms now attach to marketing themselves. Once one firm perceives a competitive advantage to be gained from letting the world know how well it is doing, others will feel constrained to follow suit.

City firms, already seduced by the apparent power of league tables in areas such as mergers and acquisitions, have yet to experience the lure of the real thing – the performance league table.

The American Lawyer magazine is only too aware of the power that this form of commercial peer-group pressure can have. For five years now it has been publishing an annual table of the 100 top-grossing US law firms.

At first it was hard work. The magazine had to resort to a whole variety of methods to secure the necessary information - methods that are by now well proven and, in America at least, well known.

Reporters attempt to arrive at gross revenues and net profits by interviewing partners and former partners on a background basis, asking key clients to review bills with them, interviewing partners and associates about billable hours, hourly billing rates, associate salaries, the cost of buildings and other assets, until they have enough information to calculate estimates.

Once estimates have been drawn up, the magazine then puts them to the firm concerned for comment, on the basis that unless the firm tells them otherwise these will be the published figures for the firm.

At first some firms will refuse to co-operate. Others, however, cannot resist the opportunity either to confirm that the estimates are roughly right or to put them right where they are inaccurate.

Five years later, even the most reluctant of firms can see that there is little point in refusing to co-operate. All US firms now provide the magazine with the information they require annually.

The American Lawyer has tried it on a one-off basis in the UK when it profiled Clifford Chance in December last year. Naturally enough, Clifford Chance disowned the figures as totally inaccurate. Now, however, The American Lawyer's new sister publication, European Dealmaker, has produced a Continental top 20.

The Continental 20 is not a straight league table of the 20 top-grossing law firms in continental Europe, but essentially five league tables of the four top-grossing indigenous law firms in Brussels, Frankfurt, Madrid, Paris and Rome in 1989.

The top-grossing firm from those five cities was Gide Loyrette Nouel, of Paris, which has 148 lawyers. It has gross revenues of \$35.4m (£21.4m), net revenues of \$10.7m, revenues per lawyer of \$240,000 and profits per partner of \$275,000.

After Gide Loyrette Nouel come the four Frankfurt firms. The top-grossing firm in Frankfurt was Punder Volhard & Weber, with 54 lawyers, gross revenues of \$20.6m and net revenues of \$9.4m.

It was followed by Mueller Weitzel Weisner, with 27 lawyers, gross revenues of \$19.4m and net revenues of \$9.7m; then Boden Oppenhoff Rasor Schneider & Schiedermair with 56 lawyers and figures of \$17.6m and \$8.2m; and, fourth, Westrick & Eckholt, with 29 lawyers and figures of \$16.5m and \$8.2m.

The Frankfurt picture is complicated by the merger of Cologne's Boden Oppenhoff with Frankfurt's Rasor & Schiedermair in July 1989, and their figures reflect combined revenues for the entire year. But the mergers of Mueller Weitzel with Düsseldorf's Hengeler Kurth Wirtz and Punder Volhard with Düsseldorf's Axster and partners from January this year have not been taken into account.

After the four Frankfurt firms comes Madrid's J. & A. Garrigues with 62 lawyers, gross revenues of \$16m and net revenues of \$9m. Garrigues is closely followed in Paris by Jeantet et Associés with 93 lawyers and figures of \$15.8m and \$5.5m; and then by the top-grossing firm in Brussels, De Bandt Van Hecke & Lagae, with 75 lawyers, gross revenues of \$14m and net revenues of \$6.6m.

Two Frankfurt firms had the best revenues per lawyer as well as best profits per partner

Rome's equal top-grossing firms are Chiomenti e Associati, with 37 lawyers, gross revenues of \$7.2m and net revenues of \$3.6m; and Ughi & Nunziante, with 41 lawyers and figures of \$7.2m and \$4m.

The firm with the highest revenues per lawyer in the five cities was, by a very wide margin, Frankfurt's Mueller Weitzel Weisner: its figure was \$720,000. Its nearest rival was Westrick & Eckholdt, with an equivalent figure of \$570,000. Again, those two firms had by far the highest profits per partner: \$540,000 and \$515,000 respectively. The profits per partner figures were arrived at by dividing net revenues by the number of partners in the firm.

In Brussels, where most firms have a very small ratio of partners to associates, all four top-grossing firms had profits per partner at least double their revenues per lawyer. That was particularly true of De Bandt, where profits per partner, at \$440,000, placed them fourth after the two Frankfurt firms and Madrid's J. & A. Garrigues.

The magazine European Dealmaker sounds a number of caveats about the Continental 20, particularly about the narrow scope of the study and the relative revenue and profit figures, which may well have been bettered by other firms in the five cities.

The magazine notes also that the method of billing clients varies considerably from city to city, with firms in Brussels sticking most diligently to billing rates that range from \$170-\$290 an hour for partners and \$60-\$160 for associates. Spanish, German and Italian lawyers operate on billing criteria established by their local bars, related to the value of the transaction involved.

On the whole, though, the magazine declares itself surprised by the measure of co-operation it received from the firms involved (as well, presumably, as those firms which did not make it in to the top four in the five cities), with only two firms refusing either to comment on estimates or provide figures.

Somewhat coyly, it will not name the two refuseniks or identify the level of co-operation it received from each firm. Some lawyers may choose to see that as casting doubt over the veracity of the whole exercise.

It is certainly a curious thing to have done, particularly as it allows all 20 firms to dismiss the information about them as inaccurate if they want to. If not identifying those who co-operated was the price of the co-operation itself, it would appear that most of the firms intended to be in a position to deny the accuracy of the information right from the start. In that case, why bother to co-operate at all? Because secretly they all wanted to be in league table of the leading grossing firms in their city?

The magazine plans a similar survey of UK law firms after the close of the fiscal year on April 5. It will be interesting to see how it gets on with the "over my dead body" school of thought prevalent in most City partnerships when it comes to providing information or talking about revenues.

APPOINTMENTS

First British executives at Toyota UK

TOYOTA, the *Japanese* car maker, has appointed two executives from General Motors (Vauxhall) and Ford in the UK to senior posts in Toyota Motor Manufacturing *(UK), its recently established* car making subsidiary, *writes Kevin Done, Motor Industry Correspondent.*

These are the first senior posts to be filled by British executives *and follow* the appointment in December of three Japanese managers to head the company.

Mr Alan Jones, manufacturing director at Vauxhall's Ellesmere Port, Merseyside, car assembly plant, has been appointed manufacturing director of TMM(UK). Mr Jones, 49, who has spent 32 years with Vauxhall, will be responsible for production management at both the Toyota car assembly plant in Burnaston, near Derby, and associated engine plant at Shotton, Deeside, in North Wales.

Mr Bryan Jackson, 43, manager of the metal stamping and body plants at Ford's Halewood, Merseyside, works, has been appointed TMM(UK) corporate affairs director.

He has held several industrial relations and manufacturing posts at Ford, and will be responsible for personnel, public affairs and administration operations at TMM(UK), Toyota's first wholly-owned European manufacturing company.

Neutrogena Corp, a US skincare and hair company, has appointed Ms Fran Minogue *(pictured)* as managing director of NEUTROGENA (UK). She was European marketing vice president with Intercontinental Hotels.

■ Mr Graham Ross Russell, president of CCF Holdings, has become non-executive chairman of EMAP, Peterborough, succeeding Sir Frank Rogers who remains a non-executive director.

■ Mr Paul H. Briggs *(pictured)*, managing director, Hugh Mackay, has been appointed managing director of CELLUWARE, Consett.

■ Mr David Hall has been appointed chairman of HALL HOLDINGS, electrical contractor group, and Mr Bernard Raikes becomes managing director and chief executive.

■ Mr Clive D. Bastin, who was managing partner of Spicer & Oppenheim, has been appointed non-executive deputy chairman of FROGMORE ESTATES, following the retirement of Mr Douglas J. King.

■ Mr Barry Hulme has been appointed executive chairman of the mechanical and electrical contracting companies in MOWLEM REGIONAL CONSTRUCTION. He remains managing director of Mowlem Engineering. Mr Geoffrey Arnold has been appointed deputy managing director of Mowlem Engineering, in addition to his post as managing director of Wainwright & Gibson. Mr Jim McBurney has retired as chairman of these companies, remaining a non-executive director.

■ CONTINENTAL BANK has appointed Mr John Hess as senior director in the bank's global private equity division based in London. He was with Schroders.

■ OCEAN GROUP has appointed Mr David Graham and Mr Tom Loughead as directors. Mr Graham is managing director, marine services division; and Mr Loughead is chairman of MSAS Inc, US.

Trade fairs and exhibitions: UK

Current
International Automotive Parts & Accessories Trade Show – AUTOPARTAC (01-302 8585) (until March 6)
Olympia

Current
Skiing Exhibition – SKI GB (0228 41272) (until March 7)
NEC, Birmingham

Current
International Cosmetics Exhibition (0799 26699) (until March 8)
NEC, Birmingham

March 10-April 1
Daily Mail Ideal Home Exhibition (01-2229341)
Earls Court

March 10-13
British Designer Show (01-244 6433)
Olympia

March 11-13
British Footwear Fair (0799 26699)
NEC, Birmingham

March 13-15
National Welding Exhibition – NORTHWELD (0403 68747)
G-Mex Centre, Manchester

March 17-20
International Cycle and Leisure Fair – CYCLEX (01-390 2211)
Olympia

March 20-22
NEPCON Europe 90 (01-948 9800)
NEC, Birmingham

March 26-28
London International Book Fair (01-948 9800)
Olympia

Overseas exhibitions

March 6-8
SEMICON/Europa International Electronics Show – SEMI (01-353 8807)
Zurich

March 10-18
International Boat Show – HISWA (01-495 7977)
Amsterdam

March 11-17
International Spring Fair (0375 392222)
Leipzig

March 17-20
International Jewellery Show (01-828 1661)
Hong Kong

March 23-26
International Franchise Exhibition (01-727 1929)
Paris

March 31-April 5
International Hotel and Catering Exhibition – INTERGASTRA (01-236 0911)
Stuttgart

Business and management conferences

March 5
Financial Times Conferences: The London Motor Conference-Manufacturing, Components and the Aftermarket (01-925 2125)
Royal Lancaster Hotel, London

March 6
CBI Conferences: The Companies Act 1989 – The impact on British business (01-379 7400)
Centre Point, London

March 7
Hawksmere: Negotiating commercial agreements to comply with EC law (01-824 8257)
The London Hilton

March 8-9
Chatham House Conferences: Iraq in the 1990s (01-930 2233)
London

March 8-9
The Watt Committee on Energy: The rational use of energy in urban regeneration (01-379 6875)
Cardiff

March 12-13
CIPFA/Peat Marwick McLintock: The new culture-meeting the strategic challenge (01-895 8823)
The Belfry Hotel, Near Sutton Coldfield

March 13-14
Financial Times Conferences: Competition, Mergers, Acquisitions and Alliances in Europe (01-925 2323)
Hotel Inter-Continental, London

March 14
Institute of Directors: Dealing with skills shortages (01-839 1233)
116 Pall Mall, London

March 19-23
University Consultants (Japan): Coming to terms with Japan (01-323 4383)
Cambridge University

March 20
The Henley Centre: Annual review of social developments and forecasts (01-353 9961)
Cavendish Conference Centre

March 26-27
Financial Times Conferences: World pharmaceuticals (01-925 2323)
Royal Garden Hotel, London

March 26-27
Financial Conferences: The European water industry (01-925 2323)
Hotel Inter-Continental, London

March 28
OM Conferences: Successful structuring of cross-border and multinational operations and investments in Europe for the 90's(France(33) 93 78 03 19)
Sheraton Park Tower, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

مكتبات الأصل

Elektra

COVENT GARDEN

Eva Marton plays the title role in the long-awaited and greatly welcome new Royal Opera production of Strauss's opera. She does so with thrilling power, lustre, boldness and emotional honesty. The performance comes from the heart and, no less, the guts, and hits the audience with main force in both places.

The soprano and her fellow Hungarian, Georg Solti, provided the main reasons for the tremendous frisson of Saturday's performance. The modern-dress production, by Götz Friedrich, is an extremely impressive piece of lyric theatre; fine-tuned in execution, expertly paced and shaped, masterly in its direction of intimate scenes – and, I feel, basically superficial overall in its approach to this most serious and psychologically intricate of the Strauss operas.

But there could be no doubting the Marton splendour, nor the combination of controlled passion, focused vigour and spring-heeled virtuosity with which she was supported by conductor and orchestra. This is not the Solti of old, the merchant of high-tension melodramatics at singer-drowning volume. The "ellipsoid tube" set (by Hans Schavernoch) has, we are told, been specially designed, on the insistence of both conductor and producer, to promote voice and word audibility. It does so, impressively; but it was above all the conductor's doing that there was such a strong feeling of scherzo-like clarity and impulsiveness to the music, and so little of brute force.

The Royal Opera Electras of the last two decades have been Shuard, Nilsson, Mastilovic, and, recently, Gwyneth Jones: performers who have each added a new dimension, a new lengthening of perspective, to our understanding of what is perhaps the single most demanding role in the dramatic-soprano repertory.

Miss Marton is worthy of the succession. She started in gusty form, breaking phrases for breaths, curdling vowels, allowing the higher notes to spread; but the voice was not long to warm and, once it had, its special beauty – a large, vibrant, intensely characterful and colourful sound, supple in phrase, particularly affecting in middle range and at the lower dynamics – lit up the passages of demented rage and those of pained tenderness.

Eva Marton

She does not touch Electra's blackest depths of despair. The production, which dresses her in freedom-fighter chic, with close-cropped hairdo and chestnut trenchcoat, sells her, and us, short on the portrayal of physical degradation. There is no dance, either at the end of the monologue or at the end of the opera – which, *therefore*, fixes a limitation on the singer's ability to teeter graphically between sanity and madness.

What Miss Marton does achieve in the production is total candour. She employs no carefully planned stratagems for "managing" the part; rather, she gives unstintedly of herself, in a way which affords the opera ever greater radiance. Friedrich's final scene – this Electra smears herself with the blood pouring from the palace walls – was loyally executed, but carried little genuine conviction: having Marton on stage calls for a nobler, less gimmicky conclusion.

The directorial focus on the opera is evidently political. The corrugated iron tube prowled by Electra is penetrated with louvred slats which open to hint (with the help of Robert Bryan's subtle lighting) at the hi-tech fortress inhabited by Clytemnestra and Aegisthus – plainly an easy-target totalitarian outfit, with its denizens in Lore Haas's comic-strip costumes (Robert Tear's Aegisthus in fake tiger-skin, Elizabeth Vaughan's Overseer a caricature borstal governess).

Chrysothemis (lovely, fresh, strong singing by Nadine Secunde, a few thin top notes apart) wears a Marilyn-type blond wig and a cocktail gown. Clytemnestra (played and sung by Marjana Lipovsek with marvellous ripeness) takes to extremes the raddled-grotesque line; Orestes (Robert Hale, superbly dark-voiced and steady) seems to be an exiled student-leader in a greatcoat, who takes power and then locks his sisters out.

In sum, we are shown here a glossy and highly effective – because so surely undertaken by all its participants, and so brilliantly underpinned by the conductor – resumé of some all-too-familiar socio-political clichés from the world of 1970s and '80s German opera.

For me *Elektra* is far more deeply, and terrifyingly, concerned with the politics of the family, and particularly with a family's intimate knowledge of its members' darkest secrets. Hofmannsthal was soaked in Freud while writing the libretto; Strauss's music is perhaps the most psychologically exploratory of any in the operatic medium. I long to see a staging of this great work that dares to probe directly into these most alarming of its many aspects. What Friedrich gives us is, in the end, modish and shallow.

Max Loppert

King Roger

FESTIVAL HALL, RADIO 3

The South Bank Centre's latest festival promises to be one of the most absorbing and worthwhile of its large-scale ventures to date. Over the next four months "Poland's Last Romantic" offers a commendably thorough survey of the music of Karol Szymanowski; the SBC this time has not only focused upon a composer of significance, stature and unwonted neglect, but one whose music at its best is undeniably approachable and seductive.

The series opened on Saturday, however, with just one work. *King Roger* was Szymanowski's only full-length opera, completed in 1926, and by most estimates his masterpiece. Stagings are rare, even apparently in Poland, though the New Opera Company's London production in 1975 was taken into English National Opera's repertory the following season.

The libretto was credited to Szymanowski's cousin Iwaszkiewicz, though the composer himself had a major influence on its shape and subject matter: its clash between Apollonian purity and Dionysian impulsiveness is refracted through the story of the 12th-century Sicilian king and his queen Roxana, whose Christian ideals are threatened by the appearance of a seductive, *Messianic Shepherd*.

It is not an especially theatrical work – the main setpiece in each of the three acts is a confrontation between Roger and the Shepherd; the atmosphere, mysteriously liturgical in the opening act, increasingly fervid and sensuous in the following two, is generated largely by musical means, and much of its power is preserved in a concert version. There are four distinct periods in Szymanowski's music, and *King Roger* belonged to the third of them, when he evolved his own highly coloured brand of impressionism.

There are some hints of Ravel in the opera (especially in the second act) and hazier echoes of Debussy, but much more is instantly identifiable as Szymanowski – always enfolding the voices in glowing, iridescent textures and, as in the opening pages, allowing the echoes of the Byzantine liturgy to be permeated with chromaticism until the Shepherd arrives, with his purest, unalloyed C major. The mixture is an exotic one. In the score of *King Roger* the composer combined all his interest in non-Western musics; it is Orientalism of a particularly acute and discriminating kind.

Andrew Davis conducted this performance, which was sung in Polish – has the score ever been been heard in its *original language in London* before? It is a concise work, with less than 90 minutes' music, and though Davis was extremely successful in welding it into a continuous dramatic whole, one wonders if it might not seem even more effective given with the minimum of breaks between the acts. Ideally one could imagine a more luxurious orchestral sound than the BBC Symphony's – what might, say, Abbado and the Berlin Philharmonic make of these magical textures? – but a great deal of the enchantment was conveyed.

Equally one can conceive of more alluring voices in the main parts. As Roger, Jan Dubosc was a late replacement for David Wilson-Johnson, and though he handled the lines with some care he sometimes lacked a sense of authority or dramatic presence. Eilene Hannan was Roxana; pliant, credible and agile, but never quite producing the rapturous sounds her second-act song in particular demands. There was a beguiling Shepherd from Wieslaw Ochmann, an eloquent, sane Edris (the king's counsel) from Martyn Hill; and much atmospheric scene-setting from the chorus – the combined forces of the BBC Singers, Symphony Chorus and the Southend Boys' Choir. A brave, stirring beginning, then, to what promises to be an *intriguing series*.

Andrew Clements

One of the pavilions of the Villa Lante, the first Italian home of the Prince of Wales's Summer School in Civil Architecture

ARCHITECTURE

Art and nature merged

A little noticed aspect of the recent visit of the Italian Prime Minister, Signor Guilio Andreotti, to Britain was the announcement that the Italian Government has offered on a permanent basis the loan of the Villa Lante to the Prince of Wales's Summer School in Civil Architecture.

Two things need explaining: what and where is the Villa Lante and what is this proposed summer school? Lovers of Italy may well know the Villa Lante about which Sacheverell Sitwell wrote: "Were I to choose the most lovely place of the physical beauty of nature in Italy or in all the world that I have seen with my own eyes, I would name the garden of the Villa Lante."

A visit to the villa reinforces the truth of Sitwell's words. Lante is more than appearances; it is the consummation of a marriage between art and nature. Situated on the edge of the small town of Bagnaia, a mile or so from Viterbo, the garden lies on the slope of the Monti Cimini.

It was begun, according to strong but unsubstantiated rumeur, by Vignola in 1566 for Cardinal Gambara on the wonderful site that the city of Viterbo had set aside for the building of a summer residence for their bishops.

Today you walk into the garden through a rusticated arch and find yourself on a terrace. This space is a perfect square called Il Quadrato. There are box hedges on three sides of this level square and, on the fourth side, stands the pair of somewhat severe matching classical pavilions that together make up the villa. The garden is water and planting and the centre of the parterre is a great fountain, thought to be by Giovanni da Bologna, of four life-sized figures of Moors standing back to back in pairs, holding up above the spray the arms of a later occupant, the Cardinal Montalto.

Most visitors to the garden today start their tour at the parterre end of the garden and then climb up to the wooded slopes. It is worth doing it in reverse, starting at the top, where the source of everything is a a fountain cascading out of the wild forest. The treat of the garden is to follow the water on its planned course. The water splashes into a pool flanked by pavilions and at each side there are secret gardens with lonely basins gently bubbling with water. After an exciting episode, when the water is forced through masks and urns and dolphins, a cascade carries it down the slope to a formal and grand fountain.

Then there is the famous long stone dining table, with the water for cooling the wine running through its centre. Will it be here, beneath the ilexes, that the Prince of Wales will conduct his al fresco Socratic dialogues on the future of the planet? It is the perfect place. But the water rushes on through a grotesque mask into the Fontana dei Lumini where replicas of Roman lamps spout in a circular series of modest jets. Once the water has passed through the elaborate parterres it makes a final brave show at the fountain of Pegasus below the Quadrato.

Some of the fortunate students at the proposed summer school will be able to stay in the pavilions – and the teaching will take place in the lofty frescoed rooms and airy loggia.

The Prince of Wales's summer school is in fact a pilot project for bigger things. This year the school will begin on August 4 at Magdalen College, Oxford, and three weeks later will move to the British School at Rome for two weeks before moving to the Villa Lante.

What will the school teach? The intention is to return to fundamentals and to study the history of architecture at first hand. Student will study life drawing, building materials and craft, invention and design within building codes, civic design, lettering and ornament. Teaching will be in studios with site visits and sketching tours. The course is open to students who have completed at least the first part of their education (Bachelor's degree or equivalent) and to recently qualified practitioners. The entry requirements are deliberately vague to attract as wide a range of potential architectural talents as possible. There is a fee of £1,000 for the six weeks teaching, travel and accommodation.

There are also scholarships available for some of the 24 places. (Intending applicants should write to: The Prince of Wales's Summer School, 27 St. James's Place, London, SW1A 7NR. Telephone 01-499 2614, FAX 01-409 0062).

The school has deliberately chosen to expose its first students to the inspiration of beautiful places – Oxford, Rome and the Villa Lante. In Rome the students will occupy the British School, where they can take inspiration from the tradition of a school founded in 1912 to create a post graduate centre for the study of archaeology, history and the fine arts. The school occupies a building designed by Sir Edwin Lutyens, near the Borghese Gardens. Scholarships are awarded in classical and medieval studies, architecture, painting, sculpture and printmaking. It is the combination of practising artists and scholars that is particularly rewarding.

The school has always been financed by a mixture of public and private money. It has recently felt the need to launch a development appeal for scholarships, as well as the repair and improvement of the school's charming but old fashioned buildings. It is difficult to think of a better investment to help ensure the future of civilised values and the continued availability of this source of knowledge of Rome and *Italy for our children.*

The advent of the Prince's school helps to draw attention to the needs of the British School at Rome. More information is available from the Appeal Secretary, British School at Rome, Regent's College, Inner Circle, Regent's Park, London, NW1 4NS. Telephone 01-487 7681.

At a time when the whole of Europe looks as though it is about to reap the harvests of peace, efforts to civilise our environment and plan the rebuilding of the eastern countries must take a European form. Pericles, when he had gathered more than he needed to arm his forces, diverted his resources to the beautifying of Athens. It is not too naive to raise our eyes and the eyes of governments to the prospect of beautifying Europe.

Anglo-Italian initiatives are a good start.

Colin Amery

SPONSORSHIP

Theatre in vogue

Next month Royal Insurance will announce that it is to continue to back the Royal Shakespeare Company. When the relationship was first forged three years ago the money involved, £1.1m, was a record for any arts sponsorship. Since then Shell (for BAFTA) and the Prudential, with its arts competition, have pledged more, but the RI deal still grabs the headlines.

This is mainly because RI's chief executive, Mr Ian Rushton, has become the spokesman for arts sponsors, warning the Government that business should not be regarded as a money saving alternative to state subsidy for the arts.

In addition, RI gets a generous promotional bargain from its link with the RSC, its logo appearing prominently on all publicity material. Now the two sides are negotiating hard about the new deal. The RSC naturally wants more money, while RI is reluctant to commit itself for a full three years. It could well be that the compromise will involve extra money for special projects, like tours.

Theatre sponsorship has suddenly become very popular. NatWest has put £55,000 behind a national tour by the Manchester Royal Exchange Theatre, which is the base for Mobil's new playwrights competition, while also touring are plays kept on the road by drink companies. *Single Spies*, the *Alan Bennett* play, receives £25,000 from Glenmorangie, the malt whisky drunk during the action. *Glory*, the Caribbean musical from Temba is backed by Cockspur Rum. And Guinness, as part of a major investment in the arts, is putting £155,000 behind the National Theatre's autumn European tour.

Barclays Bank's New Stages competition, aimed at fringe theatre companies, has attracted 250 entrants, eight of whom will hear by the end of this month whether they will receive £10,000 for a new production. And Jeffrey Archer, who owns the Playhouse Theatre in London, is receiving £500,000 towards its running costs from the MI Group, the financial services company. The theatre now becomes the MI Group Playhouse.

In the past, companies *rather avoided sponsoring the* theatre – all those dangerous words and potentially provocative ideas. Now backing controversial arts activities suggests a modern, innovatory way of corporate thinking and a bandwaggon is rolling. The Association for Business Sponsorship of the Arts is encouraging the process by holding workshops for its corporate members at fringe theatres where they are given tasters of the product. The first at the Royal Court proved a great success and now presentations are planned for the Tricycle in Kilburn next month and the Almeida Islington in May.

★

The arts are thriving on murder. As the Welsh National Opera mounts a new production of *Der Rosenkavalier*, thanks to sponsorship from Agatha Christie Ltd, the Booker subsidiary, celebrating the centenary of the birth of the Queen of Crime, news comes that one of her most impressive successors, Ruth Rendell, is sponsoring a concert at Aldeburgh.

Aldeburgh has a good record in raising sponsorship money – the Devil drives, for it receives relatively little in subsidy. It is one of the few arts institutions that courts individual sponsors and, apart from Ms Rendell, advertising man David Battenberg, insurance broker Peter Bowring, and a local plastic sheeting magnate Brian Taylor are all sponsoring concerts at costs between £3,000 and £10,000.

On Wednesday at the Barbican, in the presence of the Queen, Aldeburgh reaches a happy milestone – a gala concert to celebrate the completion of its £1m endowment appeal. The gala will raise the final £70,000, thanks to Jaguar which is putting £20,000 towards the dinner which concludes the evening.

Earlier on Wednesday, British Telecom will announce that it is renewing its sponsorship of the Malting Proms for another three years. The August concerts give BT the chance to entertain 600 guests. The company is also handing over a mobile box office, a caravan which will tour the villages of East Anglia selling tickets for Aldeburgh events.

★

Another long running appeal approaches its conclusion – the Courtauld's. On June 15 the fabulous collection of Impressionist and Old Master pictures moves into its new premises in Somerset House, the original 18th century home *of the Royal Academy. To get* the new art gallery, which will be one of the finest in London, off to a popular start, Pearson is putting up £100,000 to promote the opening.

The Courtauld is another example of the overlooked fact that most corporate money for the arts goes into building projects. IBM has given £500,000 towards the renovation of Chambers great classical building; Courtaulds £150,000; and Arthur Andersen, CitiCorp, and Toray each £100,000.

★

Colnaghi shares the problem of all West End fine art dealers:the public, both likely customers and spectators, are scared of entering its plush Bond Street premises. It is trying to break down the barriers by sponsorship.

From March 13, it is presenting an exhibition of the photo*graphs of Julia Margaret* Cameron, whose portraits of Victorian worthies deliberately promoted photography as an art form. The images come from the Royal Photographic Society, and will be set alongside loaned paintings of some of the 19th century greats. The venture will cost Colnaghi £40,000, but should introduce thousands of new faces to the gallery.

Later in the year it supports a more intriguing venture. Madame Yevonde was a society photographer working out of Berkeley Square between 1920 and the 1950s. She portrayed her aristocratic patrons as Muses and the archive of her prints has long lain forgotten in the National Portrait Gallery. Colnaghi has paid for them to be reproduced for a NPG exhibition in the autumn, which will start at the RPS in Bath. Here Colnaghi will give £10,000 to the NPG funds, which should silence some of the criticism that art dealers, like the auction houses, live well off art but give little back.

Antony Thorncroft

The Misunderstanding

GATE, NOTTING HILL

Albert Camus' grim little nihilist fable has a life beyond this play, in his novel, *L'Etranger*, where it surfaces in the form of a newspaper cutting sticking to Meursault's prison bed. Reading about the son who returns incognito to his parental home, only to be murdered by his mother and sister, Meursault is prompted to remark that the son was to blame because one should never fool around. It is a sentiment shared in the play by Jan's tremulous wife, before she abandons her husband to his fatal and foolhardy quest for a sense of belonging.

Jan, inexplicably absent for 20 years, wants to enfold his family in his own good fortune and be in turn enfolded, not through convention, but through instinctive recognition. In a cruel inversion of the parable of the Prodigal Son, the son himself goes the way of the fatted calf before having time to declare himself. It is, as his half-crazed sister declares, all a misunderstanding, confirming her conviction that life is a brute and illustrating the suffocating pessimism of Camus' writing in the war years.

Echoing through the confrontation of Jan's innocent idealism and his sister, Martha's, calloused indifference to human life is Camus' idea, to be formulated in a lecture more than a decade later, that tragedy is created by "the clash of two irreconcileable forces equal in power and legitimacy."

But *The Misunderstanding* is not a tragedy; its protagonists are ideas rather than characters whose emotional postures are cleverly echoed in the dramatic postures of Irina Brown's statuesque production, leaving them frozen in doorways, splayed across walls, or set in perverse attitudes of non-communication as they spout their philosophies and their feelings.

The same precision characterises Tim Hatley's design, which is dominated by a serried rank of chairs marshalled into the unwelcoming correctness of a guesthouse parlour or the spartan discomfort of a guesthouse bedroom.

The rigid understatement of scheme and design endows the shuffling, shambolic figure of Sam Beazley's silent manservant with a quite uncharacteristic humour, which points up the absurdity of the situation.

Paul McCleary's Jan has the brushed and shone look of a doorstepping Jehovah's Witness, on whom the wifely passions of Irina Brook's exquisite Maria are entirely wasted. But it is in the partnership of Corrine Ransom, as Martha, and Dierdre Doone as her mother that the production rests: the hatchet-featured, sexless daughter whose face burns and breaks as she contemplates her seaside dream and later her despair, and the life-numbed mother who rediscovers the colics of love in the passport of the son she has just drowned.

Opening a four-play season of European classics, this is the sort of curiosity that one could only find at the Gate.

Claire Armitstead

ARTS GUIDE

March 2-8

MUSIC

London

Melos Quartet with Mstislav Rostropovich (cello). Silver Jubilee concert. Schubert String Quintet and Death and the Maiden Quartet (Mon). Royal Festival Hall (928 8800).
Monteverdi Choir, English Baroque Soloists, conducted by John Eliot Gardiner. Bach cantatas (Tues). Queen Elizabeth Hall (928 8800).
London Symphony Orchestra conducted by Mstislav Rostropovich, with Yuri Bashmet (viola) and the London Symphony Chorus. Berlioz, Schnittke, Shostakovich (Thur). Barbican Hall (638 8891).

Paris

Martine Dupuy Recital (Mon). Salle Gaveau (45632030).
Ensemble Intercontemporain. Malherbe, Machover, Holliger (Mon). Auditorium des Halles (40282828).
Ensemble Orchestral de Paris conducted by Armin Jordan, with Dezso Ranki (*piano*). Mozart, Berg (Tue). Salle Pleyel (45638873).
Orchestre de Paris conducted by Stanislaw Skrowaczewski, Radu Lupu (piano). Brahms, Beethoven (Wed, Thur). Salle Pleyel (45630796).
Emile Naoumoff and the Julliard Chamber Players (Thur). Théâtre des Champs Elysées (47208637).

Amsterdam

Conservatory Symphony Orchestra conducted by Kent Nagano. Mahler (Tue). Concertgebouw (718 345).
Royal Concertgebouw Orchestra with Jacques Zoon (flute), Edo de Waart conducting. Wagner, Mozart, Dvorak (Wed, Thur). Concertgebouw (718 345).

Utrecht

Conservatory Symphony Orchestra conducted by Kent Nagano. Mahler (Wed). Vredenburg (31 45 44).
Emma Kirkby (soprano) and Anthony Rooley (lute). Jones, Ferrabosco, Monteverdi, Lawes (Thur). Vredenburg (31 45 44).

Brussels

Eugene Ysaye Quartet. Brahms, Dvorak and Shostakovich (Mon). Palais des Beaux-Arts.
Royal Wallonia Orchestra String Quartet. Debussy, Fauré, Lekeu and Tournemire (Mon). Palais des Beaux-Arts.
RTBF Symphony Orchestra conducted by Théodore Bloomfield. Brahms and Shostakovich (Thurs). Maison de la Radio.

Antwerp

Marjana Lipovsek (soprano) accompanied by Geoffrey Parsons (piano) singing Brahms, Moussorgsky and Schumann (Mon). De Singel.

Vienna

Vienna is host to two music festivals: Haydn Tage and the Vienna Festival. Tickets and information from Musikverein, Karlsplatz 8, Vienna (65 81 90). Also, Oesterreich-heute, with the spotlight on contemporary Austrian music is in full swing. Tickets and information from Wiener Festwochen, Lehargasse 11, 1060 Vienna (586 16 76).
Der Kreis Experimental Theatre perform *R+J Musical*, an avant-garde adaptation from Shakespeare's *Romeo and Juliet* by the young Soviet composer, Sergei Dreznin (Tues-Sat).
Wiener Kammerorchester, conducted by Peter Stangel. Kreuz, Mozart, Haydn. Konzerthaus (Tues).
Prague Kammerorchester with soloist Guy Touvron (trumpet) (as part of Haydn Tage). Musikverein (Wed).
Austrian State Radio and Television Symphony, conducted by Heinz Holliger. Spinner, Larcher, Mahler. Part of Oesterrich-heute. Konzerthaus (Thur).

Milan

Maxim Vengherov (violin) and Alex Melnikov (piano). Conservatorio G. Verdi (Wed) (76001755).

Rome

Hartmut Haenchen conducting Bartok and Bruckner (Mon, Tues). Auditorium in Via Della Conciliazione. (6541044).
Pinchas Zukerman (violin) and Marc Neikrug (piano). Schubert programme (Tues). Alte Oper.

Cologne

Guerzenich Orchestra under Marek Janowski with pianist Jorge Bolet. Schoenberg, Gershwin (Mon, Tues). Philharmonie.

Madrid

Gulbenkian Orchestra conducted by Muhai Tang. Maria Joao Pires (piano). Beethoven, Mendelssohn (Tues). Auditorio Nacional de Musica (337 01 00).

Barcelona

Israel Quartet. Gerhard, Ravel, Brahms (Wed). Fundacion caja de Pensiones (317 57 57).

New York

Guarneri String Quartet. Beethoven, Berg, Sibelius (Mon). Carnegie Hall.
Amadeus Orchestra conducted by Timothy Rowe with Haskell Small (piano), Virginia Nanzetta (flute), Sidney Harth (violin). Haskell Small (Thur). (247 7800).
Chamber Music Society of Lincoln Center. Beethoven, Babbitt, Carter, Barber, Schoenberg (Tue). Alice Tully Hall (362 1911).
New York Philomusica Chamber Ensemble directed by Robert Johnson. Prokofiev, Schumann (Tue). Merkin Hall (362 8719).

Washington

National Symphony Orchestra conducted by Jean-Pierre Rampal, also flute soloist with Toshiko Kohno. Mozart, Vivaldi (Tue). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony. Daniel Barenboim conducting with the Chicago Symphony Chorus. Wagner (Tue); Prokofiev, Takemitsu (world premiere), Ravel (Thur). Orchestra Hall (435 6666).

Tokyo

NHK Symphony Orchestra conducted by Uwe Mund. Mozart programme (Mon). Suntory Hall (505 1010).

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The stubborn approach

THE DEPARTURE of Mr Peter Walker as Secretary of State for Wales will deprive the British Cabinet of a powerful, experienced voice at a time when it is perhaps most needed. Mrs Margaret Thatcher has endured, and survived, more than one cycle of political unpopularity since she was first elected Prime Minister in May 1979, but the present trough may prove to be the most intractable. There are two reasons for this. The first is beyond the Prime Minister's control: for the first time since she was elected party leader in 1975 the Conservatives are confronted by a united Labour Party whose refurbished policies are directed towards the centre ground. The second cause of the Government's present woe is its own responsibility. It is, to be blunt, its refusal to admit mistakes.

There has been some confession of error over the past management of the economy; the Prime Minister herself has traced the evolution of the present level of inflation back to a misjudgment of the effects of the 1987 stock market collapse. Wherever the blame may lie, the political price will be paid if interest rates are not reduced well in advance of the next election. There have been forced abandonments of untenable positions, such as the nuclear element of the electricity privatisation programme. There have been minor concessions to powerful popular pressures, such as payments to war widows and haemophiliacs.

Political damage

Yet the main elements of the policies put forward during the years when Thatcherism was regarded as invincible remain in place. The electricity privatisation, which will not initially increase competition among suppliers, is to proceed in what can now only be a botched version. The National Health Service reforms, some of which might have been meritorious if spread out over a period of years as part of a normal extension of management controls, look likely to cause more political damage than they are worth in ideological comfort. The scheme for schools opting-out from local authority control has so far been welcomed mainly by schools under threat of closure.

A common thread to all of this is that a set of policies have been worked out in the absence of sufficient opportunity for public debate and subsequent amendment. These policies have then been stuck to through thick and thin in the name of conviction politics. Such an approach was largely beneficial at the start of the 1980s, when the worst excesses of the preceding decade had to be dismantled. At the start of the 1990s what was the resolute approach has become the stubborn approach. It has created the greatest damage, both to the Conservatives' electoral prospects and in the everyday world of local government, in the form of the community charge, which has been consistently rejected by government inquiries and such public discussion as followed them.

Regressive tax

The introduction of the poll tax in England is revealing the reasons for this rejection to a wider public. It is regressive. It is costly to collect. It is not, so far, having the intended effect of acting as a constraint on local authority spending. It can only be sustained by ever-increasing subsidies from the taxpayer. Next year's bribe will have to be even larger. The Government could take some of the steam out of its opponents, admittedly at the cost of a loss of face, by conceding that the poll tax is an error. This could not mean that it would be withdrawn at once: that would create even greater disruption to town hall finances than there is now. It would also be wrong to go directly back to the rating system. For the fundamental strategic flaw in all plans made for local government over the past half-century has been a failure to consider the functions and structure of local councils at the same time as reviewing how these are to be financed.

What is now needed is such a ground-up review, conducted in public and open to the input of a wide variety of opinion, so that a durable, efficient, and fair system of local accountability can be put in place. It is time for a change, both in the form of local taxation itself and in the manner in which what replaces it might be addressed.

Reforms for the Italian model

HAVING BEEN committed for nearly three years to preparing for the rigours of the European Community's internal market, Italian governments have so far posted an impressive record of non-achievement.

Restructuring of nationalised industries to create larger, more coherent groups in sectors such as railway equipment and heavy plant manufacturing remains a dead letter. Industrial aid policies are wasteful, excessive and frequently misdirected. Financial markets, especially the stock exchange, remain backward and under-regulated, while attempts to modernise and improve public services such as railways and telecommunications are interminably blocked by entrenched political interests.

While such public sector reforms are worryingly becalmed, some of the leading lights of the private sector have been doing further damage to the image of business practices in Italy. Participants in current struggles for control of both Enimont, the public-private chemicals joint venture, and Mondadori, Italy's largest publisher, have shown an extraordinarily cavalier attitude towards the sanctity of agreements which, if generally adopted, would undermine the integrity of the Italian system.

The Enimont and Mondadori affairs both demonstrate how easy it is in Italy's scarcely regulated climate to jeopardise a company's commercial interests, let alone the quality and unity of its management, in a protracted battle for control among Italy's industrial titans. In such conflicts, the rights of minority shareholders are negligible, disclosure requirements on stock acquisition count for nothing and the public interest is not represented at all in matters such as the concentration of industrial power.

Shortcomings

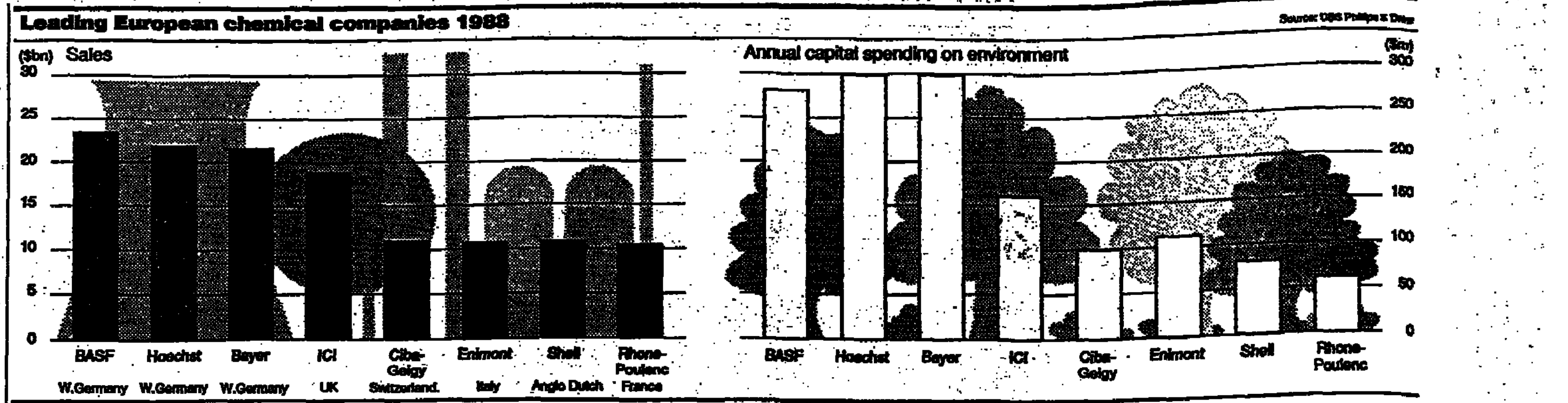
For all their shortcomings, Italian governments have not been blind to the need to create domestic regulations which are in line with norms required by the EC's internal market. The present parliament is draped with important and, by and large, adequate proposals for checking further growth of industrial power in the hands of the private sector barons, for protecting minority shareholders through a system of public bidding in takeovers, and for creating a modern financial services industry.

Languishing

Some of these proposals have been languishing for more than two years, partly because the parliament seems to prefer to work part-time and partly because the dominant political traditions in Italy – and they are of both catholic and communist stripes – have not much sympathy for, nor understanding of, market mechanisms. There is a particular tendency to equate "more market" with more power for the Agnellis, Berlusconis and so on, which could then mean less for the politicians.

While there is no merit in transforming public monopolies into private ones, the main Italian parties should try to understand that a sensible privatisation policy could raise Italy's general economic performance, create a more pluralist system and, not least, improve the quality of public services, from sea transport to telecommunications. Prompt passage of the new regulations now in parliament could provide a framework for achieving three intelligent objectives.

The first would be the possibility of restructuring public industries through British-style privatisations which distribute shareholdings as widely as possible. The essential condition is a properly functioning stock market which is less easily manipulated to the detriment of the small investor. The second objective should be a five to 10 year privatisation programme whose proceeds would be dedicated to reducing that mountain of public debt which is now 99 per cent of gross domestic product and which soaks up far too much of the Italian saver's formidable hoard. A "golden share" system, if the politicians insist on it, could guarantee national ownership of "strategic" industries, while the public interest would be well served by achieving the third objective – the exclusion of politicians from industrial management about which they know too little and frequently care even less.



Peter Marsh reports on the environmental pressures on the European chemicals industry

The rising cost of coping with waste

The quiet meadows and lush woods of Limburg, in the southern part of the Netherlands close to Belgium and West Germany, make the region a well-known tourist spot. Few visitors, however, take a mini-bus tour of a hill near Geleen. Those who do are in for a surprise.

The hill is an artificial one. After the bus has reached the top, its occupants have a view not of tranquil countryside but of the hill's peculiar, lunar landscape. It has been heavily dug into by bulldozers to form repositories for dangerous chemicals waste.

So far 200,000 tonnes of debris have been buried in the 60-metre tall hill by DSM, a Dutch chemicals company which runs a large chemicals complex nearby employing 12,000 people. All the wastes – mainly tar deposits and organic compounds mixed with soil – have been produced by the complex over the past few decades and up to now have been stored around the site in loosely-supervised dumps.

Over the next five years, DSM will put another 250,000 tonnes of this waste into its man-made mountain, in a carefully planned operation which includes the building of a special pumping system to channel away contaminated water. The exercise is part of a Fl 300m ($150m) programme which DSM started six years ago to clean up the Geleen site.

Mr Joe Geerards, DSM's top executive in charge of anti-pollution efforts, says he is glad DSM started the programme when it did. "It puts us in a good position to meet new environmental standards. If we had not made this start, our position could have been unbearable."

The work at DSM provides a snapshot of the way the west European chemicals industry has been pushed – sometimes unwillingly, and often painfully – into the spotlight by the surge in public interest in environmental issues in the past few years. There will be more attention for the sector at a big international conference on pollution of the North Sea at the Hague on Wednesday and Thursday.

The chemicals sector bears by no means all the responsibility for industrial pollution. Industries such as cars, agriculture, energy production and metals refining are all responsible for significant environmental damage.

But the high visibility of chemicals frequently brings it to attention. It is one of western Europe's biggest and most successful manufacturing industries, employing 2m people and with an annual output of roughly $300bn.

The industry also has huge, and often extremely unsightly, production operations, which channel large amounts of wastes into the rivers and air or on to landfill sites. Many items made out of the industry's products – including plastics such as polyethylene or polyvinyl chloride (PVC) – are difficult to dispose of after use.

In terms of emissions of gases like sulphur dioxide, which causes acid rain, and nitrogen oxides (which can lead to smog and general health problems), the chemicals industry is not a big offender.

Chemicals account for only a small proportion of total wastes, expressed in simple tonnages. European Commission statistics suggest that of the total 2.5bn tonnes of wastes produced across the European Community each year, the chemicals business is responsible for no more than about 50m tonnes. (This figure does not include most aqueous emissions from chemicals plants, which are mainly water.) About 1bn tonnes of the total rubbish comes from agriculture, while domestic refuse accounts for about 150m tonnes a year.

Against this, however, is the fact that many chemicals, even if present in small amounts, can cause long-term damage to humans and other living things – and their effects are insidious and far from well documented. About 5m chemicals are in common use, and microscopic amounts of virtually all of these inevitably leak out in the environment through industrial operations or consumer applications.

A pioneering US National Research Council study in the early 1980s underlined the lack of knowledge about the effects of these materials. It said there were was no toxicology information on 38 per cent of pesticides, 56 per cent of cosmetics ingredients, 46 per cent of food additives and 78 per cent of industrial chemicals.

Since this report, understanding of the impact of chemicals on the environment has improved. But advances have been limited by the scientific complexities and the fact that many of the materials may take decades to show an effect.

In the frequently confused debate about chemicals and pollution, several themes stand out:

● The technological arguments over waste management at chemicals sites are often complicated. Chemicals managers point out that virtually all processes in their industry produce waste as an ingrained fact of chemistry. "The waste is already low in most processes because these have evolved over the years to give maximum yields," says Dr Hans-Ingo Joschek, head of pollution management at BASF, the big German chemicals group. "Some improvements are still possible but there is a practical limit as to how far we can go."

But environmental groups often argue that the chemicals industry has based most of its efforts on cleaning up waste discharges after they have been created – so-called "end of pipe" solutions – rather than to design out waste from the process itself. The industry is also inherently cautious about new ideas. "There is considerable hesitation in the industry," says Dr Georges Fülgraff, a Berlin-based environmental consultant. Chemical companies "implement what the legislation asks them to do [on pollution] but rarely go further."

● Cost is an important consideration. An estimated 10-20 per cent of the industry's total capital spending, which last year reached a record $23bn across western Europe, is already channelled towards environmental improvements in plants. This work mainly entails projects such as cleaning up waste-water discharges, or the construction of huge, high-tech incinerators, especially in West Germany and Switzerland, for burning solid wastes. Mr Alex Krauer, chairman of Ciba-Geigy, the big Swiss chemicals group, says that due to increased environmental pressures, money spent on anti-pollution measures by the west European industry will rise during the 1990s, to nearly 25 per cent of capital spending.

In the 1990s, money spent on anti-pollution measures will rise to nearly 25 per cent of capital spending

Some chemicals managers – especially in West Germany, which has Europe's strongest chemicals industry and also its toughest environmental laws – believe that too-stringent environmental safeguards could harm the sector financially. There is particular dismay about new laws on air pollution being contemplated in West Germany which could force the industry to cut emissions of sooty debris and of gases like nitrogen oxides to extremely low levels. "The numbers sometimes come down beneath what is realistic technologically," says Dr Hartmut Fuhr, director of a big plant at Dormagen in the Ruhr run by the German company Bayer.

Discussion of the economic repercussions of such measures does not, however, bother Ms Ingrid Jüting, toxics co-ordinator at the Hamburg office of Greenpeace, the environmental pressure group. "People might have to accept lower living standards," she says. "Not everything needs to be made out of PVC."

● Different countries vary widely in their attitudes to environmental regulations. Switzerland and the Netherlands are bracketed with West Germany as having the toughest laws covering waste emissions. France, Britain and Italy are reckoned to have a less rigorous approach.

But attitudes are changing, helped by the homogenising effect of European Community legislation on environmental matters. Many think the pattern of regulation across the continent is becoming more uniform.

Britain – and Imperial Chemical Industries, the country's largest chemicals company – will probably have to make special efforts to change, as is admitted by top ICI managers. "We have some catching up to do," says Mr Chris Hampson, ICI's director responsible for environmental policy. He says the cash spent by ICI on environmental projects will rise, probably by about £50m a year over the next few years.

Some commentators, however, go further. ICI is "light years behind" companies in West Germany in its approach to environmental matters, according to Mr John Elkington, director of SustainAbility, an environmental consultancy, which has worked for ICI. Mr David Smith, environment director at PA, the international management consultants, says he is "very concerned" at the attitudes of UK chemicals companies regarding pollution compared to their counterparts in the rest of Europe. "Too often I see a complacent approach and the philosophy of 'how much are we allowed to get away with?' when it comes to pollution," says Mr Smith.

● There are often trade-offs between different aspects of environmental damage, and also energy consumption. For instance, Bayer at its main German factories is committed to reducing the amounts of gases and liquid wastes it produces below the already low levels it has achieved over the past 10 years.

Dr Mathias Willig, head of environmental research at Bayer, says this will inevitably lead to an increase in the 1.2m tonnes a year of solid waste produced by the plants. "If you take out the residues from some areas, you will end up with greater quantities of stable, inorganic substances that cannot be disposed of apart from landfill or [solid-waste] incineration," he says.

At Tioxide, a UK-based chemicals joint venture between ICI and Cookson, a UK materials group, the company has been criticised for its policy of channelling up to 30,000 tonnes a day of dilute sulphuric acid into the North Sea. Much of this acid – left over as waste from two UK plants making titanium dioxide, a pigment for paper-making and paints – is to be recycled, in new plants that Tioxide is to build by 1994 to comply with European Commission directives.

Mr Roger Clegg, Tioxide's environmental manager, disputes that the dilute sulphuric acid discharges have had any noticeable environmental effect. "Many of the materials we are putting into the sea are there already in trace quantities; by removing them you are really talking about purifying the North Sea." Also, he says, acid recycling is extremely expensive from an energy perspective, leading both to extra demands for fossil fuels and increased emissions of carbon dioxide, the main greenhouse gas. "You have to pause to think," he says.

For all the arguments, many in the chemicals industry and among the sector's close observers think the framework for improving the business's environmental performance is in place. "The atmosphere is improving," says Professor Bernard Witholt, an environmental expert at the University of Groningen in the Netherlands.

In recent years, many of the large chemicals companies in Europe have recruited specialists in the scientific complexities of waste arguments, who can talk to the environmental pressure groups on their own terms. Such companies, especially in the Netherlands and West Germany, have also carried out extensive audits on their emissions, so they know the details of what they putting into to the environment, and – at least in theory – can take action where necessary.

Mr Tom Burke, director of the Green Alliance, a UK-based pressure group, says he is basically optimistic about the environmental performance of the chemicals industry. "Everyone is trying to improve. By the end of the decade you will have plant managers standing by the pipes [carrying waste emissions from their factories] and drinking from them."

OBSERVER

Heseltine's move

■ These are testing times for Michael Heseltine, the man who resigned as Defence Secretary in the Westland crisis in 1986 and has been campaigning for the leadership of the Tory Party ever since.

So far he has scarcely put a foot wrong. He has been loyal to the Party, loyal to the Prime Minister and eager not to go into battle too early. Heseltine played almost no part in the minor challenge to Margaret Thatcher's leadership last autumn, and may even not have voted.

The assumptions have always been that he would wait until Thatcher departed before making an open bid, and that he would have a better chance of winning if she lost a general election.

Now all that looks questionable. The Tories might not win the next election under the present leadership, but the election is far enough away for there to be a case for saying that they would have a better chance under someone else. Certainly a new Tory leadership could put the Labour Party on the hop.

And if the challenge is to be made, where is it to come from? Not from Sir Geoffrey Howe, the deputy Prime Minister, who had his chance to reach for the top last year and, like R A Butler in previous Tory administrations, chose to duck the fight.

Probably not from any of the younger figures either. All of them have recently been tarnished. Kenneth Clarke has suffered bruises from the ambulancemen's dispute. John Major has troubles enough with the economy. Christopher Patten is tied down with the poll tax. Anyway, none of them looks like this year's man.

That leaves Kenneth Baker, older and more experienced than the young hopefuls. Baker is also Party Chairman, which gives him a great deal of power and influence. But it would be quite hard for the Chairman to tell the Prime Minister both that she must go and that he would be ready to stand against her if she does not.

So we come back to Heseltine, the only person who has made it unequivocally clear that he would like to be leader when the time comes. Whether deliberately or not, he has been helped by the forthcoming departure of Peter Walker as Secretary of State for Wales.

Heseltine and Walker are friends. Politically they have a good deal in common: Europe and interventionism, for examples. Both are well off. Walker would not have been an implausible candidate in the battle for the succession, though an unlikely winner. Now he is out of it, of his own accord. He could, if he wanted to, mobilise considerable support in the Party in the country for Heseltine.

Still, the question reverts to Heseltine himself. Should he make the bid or not? Will he do more harm to the Party and himself if he comes out prematurely, or if he delays too long?

I suspect that Heseltine has not worked out the answers. But they are real questions. As the Prime Minister has said about full British membership of the European Monetary System: "When the time is right..." Hard to tell when it is.

Water cures

■ Hydrotherapy arrived in the Observer household at the weekend. This is a rather ugly piece of equipment that pumps bubbles through the bath and is supposed to cure or prevent practically every known ache and pain. First impressions are satisfactory. We shall report further if it is all it is cracked up to be.

"And good luck with your elections too, Margaret."

Helipad war

■ Nigel Lawson, who has just taken up his duties as a director of Barclays and adviser to BZW, its investment bank, has been given a spacious corner office in BZW's building at Ebbgate House.

This is not just because it commands a fine view of the River Thames. The office also overlooks the site of the proposed City Helipad, and the road by which its users would reach it.

BZW's chairman, Sir Martin Jacomb, is hotly opposed to the Helipad plan, and he evidently hopes that the prospect of being deafened by helicopters and traffic all day long will be enough to make the former Chancellor a powerful ally.

Should he become an anti-Helipad campaigner, Lawson will find himself up against a familiar figure – Sir Kit McMahon, the Midland chairman, who is one of the chief backers of the plan. Lawson knows McMahon well from the latter's days as Deputy-Governor of the Bank of England, and I think history shows that when the Treasury and the Bank clashed, it was usually the Treasury which won.

But McMahon is undaunted. He says he has received a lot of support for his Helipad from businesses in the City. As for Lawson: "We can always offer him triple-glazing."

Men for Mayor

■ The already convoluted politics of Washington DC have been given a further twist by the decision of Walter Fauntroy, the city's non-voting delegate to Congress for the past 19 years, to run for Mayor.

Even with Jesse Jackson's decision last week not to stand, there are already half a dozen candidates. And the incumbent, Marion Barry, has merely put his campaign on hold rather than withdraw in spite of his arrest six weeks ago on drug charges and his treatment in an addiction centre.

Yet the announcement by the 57-year old Fauntroy, an active Baptist minister, further narrows the options for Barry. The emotional prayer breakfast at which Fauntroy declared was attended by most of Washington's black community. Robert Johnson, the head of Black Entertainment Television, who until Barry's arrest had been his campaign co-chairman, has been appointed Fauntroy's spokesman.

Fauntroy has become the frontrunner, but it will not be a walkover. There is a Justice Department inquiry into payroll practices in his offices.

Lights out

■ BT Gazette is advertising urgently to find a missing traffic light trailer. "This trailer was collected from Bristol around July 1989 and is believed to be operating in the London area. It is imperative that it is located immediately." Anyone who finds it, says the ad, should get in touch with Mercury House, Bristol.

Judy Dempsey reports from Bucharest on growing nationalist tensions in the Balkans

The sleeping giant awakes

For the past two months, nationalism has been wriggling through the Balkans like a fuse searching for a spark. Of these there are no shortages, as recent events in Yugoslavia, Bulgaria and Romania testify. But if the nationalist fuse is lit, what will become of the Balkans, once the tinderbox of Europe?

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It is not surprising that Yugoslavs are obsessed with the rise of nationalism. Deep in the collective consciousness is the fear that Serbia, the dominant partner when Yugoslavia was founded in 1918, will again rise to reign over the federation.

Moulded out of wartime chaos by the late President Tito, the federation sought to maintain an uneasy balance between six republics and two autonomous provinces. To do so, Tito exploited the mythology of the Partisans and the euphoria that followed the break with Stalin in 1948. His authoritarian rule helped maintain stability.

Now, however, the Yugoslav myths are tumbling. As the ruling but divided Communist party fades away, two forces are moving to fill the political vacuum.

For Mr Ante Markovic, the Prime Minister, the nationalist question can be resolved only through democratic political channels. For Mr Slobodan Milosevic, however, the nationalist, deeply conservative President of Serbia, old scores must be settled.

The Serbs' nationalist instincts were muzzled by Tito. Now some of them are impatient to regain their old lands, a desire which Mr Milosevic is adept at exploiting. Some even speak of reclaiming those lands where Serbs outside Serbia proper live. If that were to materialise, Serbia would rule almost all of Yugoslavia. In the meantime, Mr Milosevic continues to tap latent Serb nationalism by directing all the attention to Kosovo, Yugoslavia's southern province, which is regarded as the cradle of Serbian culture.

For the past month, in this wretchedly poor and backward region, young ethnic Albanians have demonstrated almost every day. They are simply bored teenagers throwing stones at young armed policemen. But the older generation of ethnic Albanian intellectuals are quickly forming independent political movements *in an attempt to steer the* unrest away from the streets towards political institutions. What they want is autonomy from Serbia. They also want free elections and a multi-party system. For them, the ballot box is the only means to resolve the Kosovo issue.

What liberal Yugoslav intellectuals fear most is that the newly-emerging political parties will base their platform on ethnic/nationalist lines. To pre-empt this tendency, a group of academics in Belgrade recently re-established the Democratic Party, one of the largest parties during the inter-war period. This initiative holds out some hope, since pan-Yugoslav – not ethnic-based – political parties hold the key to future stability.

But ahead lies the Albanian question. If and when Albania responds to the changes sweeping across eastern Europe, the Serbs fear that the ethnic Albanian majority in Kosovo might seek to join their fellow Albanians. Day after day, Mr Milosevic's supporters in Belgrade's nationalist media warn of this possibility, accusing the ethnic Albanians of "separatism".

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Unlike Yugoslavia, Bulgaria has only one large ethnic minority with which to deal. *But the two neighbours* have one thing in common. The Serbs fear that the Moslem ethnic Albanian majority, which has one of the highest birth rates in Europe, will soon completely monopolise the province of Kosovo; nationalist Bulgarians argue that their Moslem ethnic Turkish minority will upset the Slav/Orthodox balance in their country.

Under the regime of Mr Todor Zhivkov, overthrown in a palace coup last November, Bulgaria's 1m-strong ethnic Turkish minority was forcibly assimilated during 1984 and 1985. The Turks were forced to change their names, their newspapers were closed down and parents were discouraged from having their children circumcised.

The assimilation campaign created such an uproar from the international community – and from Moscow – that the new leadership under Mr Alexander Lilov, elected Communist party leader last month, seems intent on repairing the damage by insisting that the rights of ethnic Turks must be respected.

The pragmatists, now in the ascendancy following last month's *emergency* party congress, agree. This will lead to the gradual isolation of the *conservative party bosses* in the provinces who have been exploiting the nationalist issue. Mr Lilov, more inspired by European ideals than Balkan fanaticism, has Mr Andrey Lukanov, the respected Prime Minister, at his side. The two men, committed to pulling Bulgaria out of its backwardness and isolationism and to improving relations with Turkey, are likely to make the transition to a multi-party system less fraught.

Bulgaria's independent opposition, formed under the umbrella of the Union of Democratic Forces, knows what its members are against – the ruling Communists – but not what they are *for*. They do not know what to do with freedom.

This may allow Mr Lukanov time to form a transitional government based on national consensus before next May's free elections. By co-opting the opposition, he may be able to push through radical economic reforms. By introducing land reform, which will allow peasants the right to own and buy land, he may well find a willing ally in the Agrarian Party, one of the largest inter-war parties.

Above all, the new Government seems to recognise the limitations of Bulgaria's politi*cal traditions and culture*. It is largely a peasant culture unaccustomed to democracy. It had no traditions of autonomous institutions, such as Poland's independent-minded Catholic Church or the Solidarity trade union movement. Instead, the Orthodox Church in Bulgaria and Romania loyally reflected the policies of the regime. Bulgaria did not have dissident individuals of the moral stature of Czechoslovakia's Vaclav Havel; nor did it have radical Communist party reformers as in Hungary.

Yet all these east European countries have one thing in common: each is now in the process of re-building political and social institutions which were destroyed following the Communist takeover.

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This painstaking restoration of political life will prove most difficult in Romania, where totalitarianism was implemented to a degree unknown in the other Warsaw Pact countries.

Romanians, not surprisingly, remain uncertain about what to do with their new-found freedom. The old habits of corruption and deceit, suspicion and intrigue, subservience and fear, so poignantly exposed in Olivia Manning's novels of the 1930s, are there for all to see.

The path towards democracy in the Balkans in general and in Romania in particular is strewn with boulders. No amount of western financial assistance will restore what has been destroyed, or weaken these countries' national characteristics.

Promises of western credits in return for free elections and a market economy cannot, for example, revive the pockets of civil society among Romania's ethnic Germans which have all but disappeared through emigration.

Nor can they overcome the suspicion of many Romanians towards the political and cultural traditions of the 2m-strong ethnic Hungarian minority in Transylvania. The Ceausescu regime broke the back of that tradition. In doing so, it denied its present leadership some of the means to rebuild political institutions.

That is the legacy inherited by all the new governments in the Balkans. Weak democratic cultures coupled with strong nationalist traditions will make any transition from one-party rule to a multi-party system far more difficult than in Hungary, Czechoslovakia or Poland.

This is a distinction often lost on western governments which seem to believe that democracies can spring up overnight, regardless of local *traditions. The Balkans are* moving towards some form of parliamentary government. But the awakening giant of Balkan nationalism will make the transition a tense and difficult one.

Transport policy

Pricing is better than planning

By David Sawers

The need for a better transport policy has become an article of faith among British environmentalists, and those who are fed up with congested roads and trains. The Transport Committee of the House of Commons has called for an integrated transport policy to cope with demand and to ensure that railways are fully exploited, while others complain that the Government is not spending enough on the railways to attract traffic from the roads. The present congested state of trains and roads is blamed on a lack of proper planning, and a reluctance to spend public money.

A proper transport policy is regarded as one which foresees demand better than it has been foreseen in the past; which treats the expansion of railways as an alternative to the expansion of roads, and so minimises the increase in traffic on the roads; and which improves the quality of public transport, to attract travellers from their cars. It is a call for rationality in planning the nation's transport system.

The trouble with this approach is that errors in forecasts cannot be corrected by some more rational approach to prediction: forecasts are bound to be inaccurate, even in the short term. The recent increase in travel to and around London was unexpected; congestion exists until capacity is increased.

The arguments about the Department of Transport's current forecasts, which suggest that road traffic could increase by between 83 per cent and 142 per cent by 2025, place far too much credence on the precise figures; such predictions are only as reliable as the assumptions on which they are based, and these forecasts assume that British economic growth will be between 2 per cent and 3 per cent a year over this period, and that fuel prices will not rise drastically.

It is quite possible that economic growth could fall out*side this range, or that fuel* prices could rise drastically – perhaps because a carbon tax was imposed on fuel. So the range of possibilities is even wider than suggested by the Department, and discussion about the effects of higher road traffic ought to recognise that the actual traffic levels could well fall outside the predicted range. All that we can safely say about future road traffic is that it is likely to go on growing for many years, at a rate that depends on the growth in personal incomes and changes in fuel prices.

Given all the uncertainties about these forecasts, it is naive to concentrate on the predictions for 2025. Investment and policies should be based on existing traffic; all forecasts should be treated as uncertain, so that flexibility in capacity is one of the most valuable characteristics of any transport investment. If it is necessary to consider long-term effects, the forecasts for the next century should be treated as scenarios rather than predictions, showing what might happen if traffic grew at such a rate.

The other problem with transport planning is that the scope for guiding traffic from road to rail is less than often believed. Road and rail journeys differ in length and purpose: the average length of a car journey is eight miles, of a train journey 25 miles; commuting to work or education is the major purpose of train journeys, but the purpose of car journeys is more or less equally divided between commuting, personal business and leisure. Rail travel also represents only 7 per cent of all passenger travel, while cars and motor cycles carry 85 per cent.

Making rail travel cheaper and more comfortable in relation to car travel is therefore unlikely to cause many travellers to switch from cars to trains; and a large percentage increase in rail travel would be a small decrease in road travel.

Subsidising one mode of transport is an inefficient way of reducing traffic on another mode, introduces unwanted distortions into the pricing system, and may reduce the efficiency of the subsidised mode. An efficient transport system *is one in which prices reflect* the costs of providing transport – including the environmental costs, in so far as they can be estimated.

If, for example, the effects of emissions of carbon from car exhausts were thought to be harmful and should be reduced, the correct policy would be to increase the taxation on car fuel by whatever amount was needed to produce the desired reduction in emissions. Higher fuel prices encourage car owners to use their cars less, to buy more economical cars and to alter their habits to reduce the amount of travelling required. Car manufacturers are encouraged to develop cars with more efficient engines.

There is immense scope for conserving fuel by such means. Most modern cars are far more powerful than they need to be, and many journeys are discretionary. Italy provides an indication of what could be expected; with petrol costing about 70 per cent more than in Britain, the annual mileage per car is about 40 per cent less.

Politicians are often cautious about using higher taxes or charges to influence consumers' behaviour. They do not seem to appreciate that such uses of the price mechanism would not increase the total burden of taxation; higher petrol duty, for example, could be offset by lower VAT, so that retail prices would not be increased. Politicians may also underestimate the intelligence of the consumer, and assume that cost is more important than quality.

A rational transport policy does not seek to plan in the sense of guiding travellers to particular modes of transport, and does not base its policies on long-term forecasts of traffic. Instead it accepts that we can know little about the future, so that policies should be based as far as possible on present conditions; and appreciates that prices should reflect the cost of providing the various modes of travel. Consumers can then make rational choices between modes of travel, and between travel and other forms of consumption. If the prices are right for each mode, no mode needs a subsidy. Determining the real cost of transport, when external costs may be substantial, is the biggest challenge to policymakers today.

The author is an economic consultant.

LETTERS

EC competition policy

From Mr Jeremy Lever.

Sir, Professor Messerlin ("Community rules on a collision course," February 28) argues that there are potentially major inconsistencies within the European Community's policy on maintenance of effective competition within the EC *and on the application* of its anti-dumping rules.

I agree. The risk is increased because the Community's anti-dumping rules have been used as a retaliatory weapon against Japan's mercantilist commercial policy and because the directorates-general of the European Commission seem increasingly liable to see themselves as almost separate institutions.

It is in part because of the risk of inconsistency that over the past 10 years I have repeatedly urged the Commission to establish a small new directorate-general that would have the responsibility for both:

- the drafting of decisions in all competition cases (leaving their investigation and "prosecution" to directorate-general IV (competition) as at present) and
- the drafting of all definitive anti-dumping measures prior to their proposal to the Council for adoption by it.

The new directorate-general would then be concerned with both competition and anti-dumping and that would strongly promote the development by the Community of a consistent and coherent policy in this area.

Jeremy Lever QC,
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Gray's Inn, WC1

Encouraging sovereign debtors

From Mr Adrian Hewitt.

Sir, Mr Fletcher (Letters, February 21) says creditors have few means "apart from diplomatic pressure" to enable their rights to be enforced *vis-à-vis* sovereign debtors.

I suggest that the time-honoured carrot-and-stick approach, employed exten*sively by the International* Monetary Fund and, increasingly, by the World Bank, in a majority of developing countries and now in eastern Europe, uses a powerful and direct instrument very remote from the diplomatic persuasion Mr Fletcher has in mind.

Policy-based lending often requires the implementation of a schedule of what are, in effect, political as much as economic and fiscal policy changes in exchange for fresh, phased, borrowings in foreign exchange to ease immediate debt service difficulties. It comes in a number of guises, but the principle is broadly similar and despite some obvious hazards of implementation, it has almost never failed to encourage sovereign debtors to keep up payments to their creditors, including the banks, more generously than they would otherwise.

Adrian P Hewitt,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park, NW1

From Mr John Dick.

Sir, While I agree with Mr Fletcher that the Bank of England's matrix on country debt provisioning deserves consideration in any discussions with the Inland Revenue by banks seeking a tax deduction for doubtful debts under Section 74(j) ICTA 1988, I question whether that matrix should be their basic reference point. The Bank, when *compiling it*, labours under two constraints which must, to some extent, influence its compilation. As a result, the application of the matrix is likely to produce a level of provisioning which tends towards the low side.

First, the Bank's role in banking supervision is likely to have the consequence that the compilation will reflect its concern that some banks are considerably less well placed than others to make extensive provisions against country risk debt. Secondly, the Bank is not of course independent of the Treasury. The likelihood must be that, in compiling the matrix, the Bank will be influenced by its effect in lowering the tax yield to the Treasury.

Ultimately the extent to which a country debt is doubtful – and so qualifies for a tax deduction – must be a question of fact, and that calls for an exercise of judgment by the bank concerned, after taking full account of the expert evidence of economists and others.

John Dick,
3 Temple Gardens,
Temple EC4

Pressure for democracy

From Mr N. Parkhill.

Sir, Your editorial comment ("Retreat of Ideology," February 27) fails to mention that last month's was not the first democratic election in Nicaragua since the revolution. Elections were held in 1984 which showed popular support for the Sandinistas. The international community generally accepted – with the exception of the US – that the elections were fair.

The impression, reinforced by your editorial, is that democracy equals the ideology of the conservative right and inherently works against socialist-oriented regimes.

This may be true, but Nicaragua shows it may not easily come about without a good measure of external help. One might argue that US refusal to accept the 1984 result, combined with continued military pressure and the prospect of aid to a new government is worryingly anti-democratic.

Norman Parkhill,
2 Wildernesse Mount,
Sevenoaks, Kent

Property does not move between jurisdictions to avoid payment

From Mr Richard Mowbray.

Sir, The *fact* that local income tax is demonstrably fairer than the poll tax is no justification for *totally* dismissing *domestic* rating (or "roof tax," as it is pejoratively referred to by sillier politicians).

In many countries a property tax is seen as a good local tax for the most obvious of reasons – it is cheap to collect because property does not move between jurisdictions to avoid payment.

Moreover, where particular local public services (such as street lighting, roads, parks, town planning and environmental cleansing) enhance property values, they should be funded by a tax on property.

We must remember that the poll tax was not imposed on Scotland and later England. It was the response to pleas by suburban Scots (mostly Tories) for rescue from the consequences of the 1985 rating revaluation. The outcry merely confirmed that domestic rating was in general fair – the better-off paid more than the poor. Indeed, due to a dearth of information on neutral values which were the basis of rateable values, it is generally acknowledged that rateable values for more expensive properties were understated.

The February 22 issue of Chartered Surveyor Weekly (the official journal of the Royal Institution of Chartered Surveyors) sums up the fairness point on domestic rating rather well: "Like Labour, the RICS believes that capital values are broadly based on how much buyers can afford in mortgage payments. Anomalies like pensioners in expensive homes could be overcome through rebates" (as used to be the case).

Unlike competing assets, housing is the beneficiary of major tax concessions – mortgage interest relief, capital gains tax relief, "Schedule A" relief on imported rent income, and now the abolition of domestic rating. It is not surprising therefore that too much of Britain's inadequate savings has been channelled into housing, and too little into manufacturing investment. Indeed savings are inadequate precisely because the appreciating wealth represented by housing underpins inflationary, credit-financed consumption.

The combination of these incentives to demand and the restrictions placed on supply by the planning system (for example green belts to prevent the sort of low-density housing suburbs built in the 1930s and yet so highly prized today) have caused house values to soar.

The enriching of owner-occupiers has been paid for by the impoverishment of industry. Is there any wonder that Britain is now so far behind its neighbours in industrial and trading performance? They do not subsidise owner-occupation nor restrict urban expansion to anywhere near the same degree. Worse still, with so many now having a vested interest in the status quo, it is hard to see any way out of the problem.

With its policy of domestic rating, Labour deserves some praise for grasping the housing nettle. But how far dare the party go in dealing with the other anomalies.

Richard Mowbray,
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FINANCIAL TIMES

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BUSH GIVEN ASSURANCE ON TRADE IMBALANCE

Kaifu promises to reform economy

By Peter Riddell, *US Editor, in Washington*

MR TOSHIKI Kaifu, the Japanese Prime Minister, has assured President George Bush of the United States that structural reform of the Japanese economy is one of the top priorities of his new Cabinet.

At the end of two days of talks in Palm Springs, California, both leaders promised to intensify efforts to break the stalemate in discussions aimed at reducing the large trade imbalance between their countries.

But, as expected, there were no formal negotiations.

Mr Kaifu said structural reforms would be aimed at "improving the quality of Japanese life, with further emphasis on the consumer-oriented economy". He stressed his determination "to maintain such policies as expansion of domestic demand, improvement of market access and deregulation".

By phrasing such promises in terms of the welfare of Japanese people, Mr Kaifu can be seen not to be bowing to US pressure, while allowing Mr Bush to claim yesterday that the Japanese side "knows how important it is to move forward".

The two leaders referred, in identical terms and without amplification, to contining co-operation in exchange markets.

Both struck a positive note, seeking to put the trade discussions into the broader context of their "global partnership".

Mr Bush talked of strengthening "the political trialogue among the US, Japan and our European allies" and of thinking about "how Japan can more fully play a leading role in the world's political and economic institutions."

The funny side: President George Bush and Prime Minister Toshiki Kaifu share a joke during their trade talks

There will, for a start, be closer contacts at foreign minister level, while Mr Bush referred to changing the structure of international organisations to give Japan a greater voice and influence.

However, Mr Bush emphasised that the US and Japan must "put our economic relationship on a solid foundation if we're to achieve the full promise of our relationship".

Mr Bush emphasised the sense of urgency, especially in relation to the so-called structural impediments initiative, a US move launched last summer to free internal barriers in Japan.

He said both leaders had called on their officials "to redouble their efforts to achieve meaningful interim and final results." Mr Bush said US cabinet members "will be on the next plane if it will help solve this problem".

Mr Bush warned Mr Kaifu of the strength of feeling in Congress about the need for Japan to open its markets and of the tight legislative timetable before US retaliation is considered.

This was underlined yesterday by Congressman Richard Gephardt, the Democratic House Majority leader who ran unsuccessfully for the presidency in 1988 on a managed trade/protectionist platform.

He called for specific action against Japan, starting with the imposition of tariffs on semiconductors this summer when the current agreement runs out.

If Mr Bush did not do that, "then the Japanese will never believe anything that we say or anything that we're going to do", Mr Gephardt said.

Denying there was going to be a trade war, Mr Gephardt argued that, if there were no improvements in the structural impediment talks, he would set specific goals for market entry, and if these were not met within a defined period, across-the-board tariffs would be applied on Japanese products entering the US.

EC row likely over new powers for Gatt

By Tim Dickson in Brussels

EUROPEAN COMMUNITY foreign ministers will today consider new Commission ideas for dealing with trade disputes that would strengthen the authority of the Geneva-based General Agreement on Tariffs and Trade (Gatt) and could put it in conflict with national interests.

At stake is nothing less than the long-term credibility of the Gatt conciliation and disputes settlement procedure, which officials in Brussels point out has too often failed to stop certain countries taking unilateral retaliatory action to redress their trade grievances.

The most radical of the ideas, which are expected to surface at today's meeting of EC foreign ministers in Brussels, is for some new form of appeals procedure whose result would be legally binding.

This has already aroused fierce opposition from some quarters in the Commission. As one EC diplomat put it, "It raises all sorts of unacceptable questions like the Gatt Council effectively re-negotiating the Common Agricultural Policy or the US Trade Act".

Any improvement of current Gatt procedures, he suggested, would need to avoid any move towards creating a "world court". At the same time, "there would also need to be some sort of sovereignty safeguard."

A clear policy will not emerge until the various options now being considered have been fully discussed by the European Commissioners, and that may take several weeks.

To judge by recent internal discussions, the Commission is deeply divided on the issue. Mr Frans Andriessen, the External Relations Commissioner, may come under pressure today from foreign ministers who feel the problem needs to be tackled urgently and are anxious to head off the threat of unilateral trade retaliation against the EC under section 301 of the US Trade Act.

The problem centres on the fact that recommendations of the independent Gatt panels set up to adjudicate the more intractable disputes can be (and sometimes are in important cases) ignored by the "violating" parties.

EC officials and diplomats recognise that an arbitration system ultimately has to be based on political consensus. But there is a growing belief that efforts to establish clearer trading rules in the multilateral negotiations known as the Uruguay Round should be accompanied by a concerted attempt to find ways of making the revised international trading rules stick.

The December 1988 Mid-Term Review of the Round went some way towards speeding up the dispute procedures and removing impediments in the way of those seeking to set up a Gatt panel.

What is now being contemplated in Brussels are ways of limiting the right of offending parties to block the "jury's" findings.

● EC foreign ministers will today try to narrow their differences over how best to control Japanese car exports to the single market after 1992, Reuter adds from Brussels.

Soviet-US trade split, Page 2

Britain expected to phase out N Sea dumping

By John Hunt in London

GOVERNMENT concessions intended to soften international criticism of Britain's environmental record at this week's North Sea conference in The Hague are expected to be announced today by Mr Chris Patten, the Environment Secretary.

Britain, the only member of the European Community still dumping sewage sludge in the North Sea, is expected to be attacked by nations which signed an agreement in 1987 to clean up the North Sea.

Mr Patten is today expected to offer to phase out dumping of sewage sludge over 10 years. Other North Sea countries have been pressing for sludge dumping to end in five years' time.

The Government regards its offer to phase out dumping over 10 years as a considerable concession as the alternative to dumping is costly incineration. However it is unlikely that a 10-year delay will satisfy the other North Sea states.

Some states are also pressing for damaging nutrients, such as nitrogen and phosphorous, to be removed at sewage plants by the installation of costly equipment. This would prevent the nutrients getting into the North Sea via rivers.

Britain has been opposed to this proposal on the grounds of the massive expense involved. Ministers have been trying to work out a concession which the other states can agree.

The UK is also expected to come under attack at the conference over the dumping of industrial waste, such as liquid chemical waste, in the North Sea. Britain is the only country still doing this, but has said it will phase out the practice by 1992.

Boastful Britain faces critics, Page 8; The rising cost of coping with waste, Page 18

New threat to Israeli coalition

By Eric Silver in Jerusalem

ISRAELI Labour Party ministers yesterday reaffirmed their threat to break up the national unity coalition if the Likud Prime Minister, Mr Yitzhak Shamir, did not respond positively to the latest US peace proposals by Wednesday.

Mr Shamir is coming under increasing pressure from Likud ministers and backbench members of parliament, as well as the parties to his right, to reject the compromise formula aimed at bringing together Israeli and Palestinian negotiators for the first time since 1948.

No decision was reached at an emergency meeting of Likud ministers on Saturday night or at a 45-minute session of the "forum of four" Likud and Labour leaders yesterday. The Likud ministers are to meet again today, and the inner cabinet of six Likud and six Labour ministers on Wednesday.

Mr Shimon Peres, the Labour deputy premier, said that the March 7 ultimatum still stood. His party was demanding a written response to Washington. Mr Peres's number two, Mr Yitzhak Rabin, the Defence Minister, was less insistent. He was prepared to give the Likud ministers until next week.

An impression that Likud was again playing for time was reinforced by Mr Moshe Katsav, a minister recently promoted to the inner cabinet by Mr Shamir. "With all due respect to the United States," he said yesterday, "we don't decide the fate of our country under pressure. The discussion might start this week, but it will certainly not end."

Mr Binyamin Netanyahu, the hawkish Likud Deputy Foreign Minister, suggested that the issue should be taken to the people in early elections. He argued that Israel was no longer talking about its own peace initiative. Elections in the occupied West Bank and Gaza Strip would not now be free. The Palestine Liberation Organisation had, he said, imposed itself by force. The projected negotiations would be negotiations de facto with the PLO.

Mr Yisrael Harel, chairman of the Council of West Bank Settlements, said yesterday: "Shamir is under such intense pressure from the US, Labour and the media that he is in danger of making irreversible mistakes. We have to take a stand now. We believe Likud would be better in opposition than leading the peace process."

THE LEX COLUMN

The real threat from Japan

The Japanese stock market has risen for 12 straight years in a row. The Nikkei stock average has gone up eightfold in the process, a record unmatched in modern Japanese economic history. Now even the traditionally bullish Japanese securities firms are beginning to wonder whether 1990 will be one year when the world's biggest stock market ends lower than it started.

The euphoria which pushed the Nikkei to almost 39,000 at the end of last year has been replaced by the savage corrections of the last couple of weeks. Daily trading volume of more than 1bn shares has shrunk to less than half that. Margin requirements have been cut twice in the last fortnight, to little effect so far. US-backed programme traders have increased volatility in a market renowned for its steadiness. But they cannot take all the blame.

The sharp setback in equity prices may simply be an overdue correction. In the previous couple of years the Japanese equity market had soared by 80 per cent, while London and New York had only risen by half as much. Japanese companies raised record amounts of equity last year, so their balance sheets are far stronger than they were. And although profit growth is slowing, it should still be around 10 per cent in the coming year.

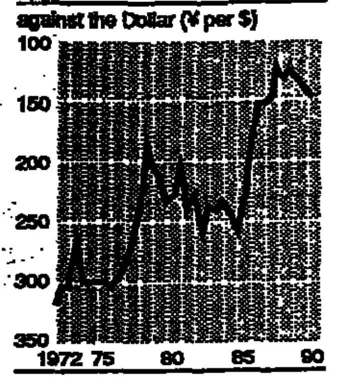
Market supports

There are plenty of ways the market can be supported, ranging from a reduction in corporate capital raising to an increase in official limits on pension fund investment in domestic equities. The weight of money arguments cannot be ignored; and the initial success of the NTT issue in the immediate aftermath of the 1987 crash is a reminder of the power of the Japanese financial establishment in stopping the market going down, if temporarily.

In addition, there are plenty of good reasons why Japanese price earnings ratios are not as high as they look. But what cannot be disputed is the fact that the Japanese market has done so much better than other major stock markets over the last decade through a steady rise in the market's average p/e. Ten years ago, Japanese equities were selling on 20 times earnings – little more than twice the figure for New York and London. Five years later Japan's multiple had risen to 35, compared with just under 14 for the other two markets. By the start of this year the Japanese market was trading on 65 times earnings, or roughly five times the multiple of London and New York.

Yen

against the Dollar (¥ per $)



The Japanese economy can grow at least twice as fast as the US, inflation is far less of a problem and Japan is running the world's biggest balance of payments surplus. Given a choice between Toyota and General Motors, it is not hard to guess which would be the more popular long-term investment. But these positive factors may have been more than fully discounted in the valuation of Japanese equities relative to other capital markets. And even if the current valuation can be justified, the widely differing ratings on individual stocks often make little sense to foreigners.

Value gap

Tokyo Electric Power, for example, was once regarded as a yield stock. Now its dividend has been left unchanged for years and its profits are falling. Yet the market's preoccupation with Tokyo's spiralling land prices means that its price earnings multiple is two thirds higher than that of a growth stock like Sony. If Japanese real estate prices continue upwards, and if companies are using the proceeds from asset disposals to fund successful diversifications, the strength of underlying asset values should provide the share price with some support. But this kind of argument would look nowhere near as compelling in a bear market.

Meanwhile, the factors which produced the surge in Japanese equities – a strong yen, falling oil prices, steadily declining interest rates and minimal inflation – can no longer be relied upon to drive the market higher. Far from being the world's strongest currency, the yen is now one of the weakest; and the earlier beneficial impact of falling oil prices is being steadily eroded. Inflationary pressures remain suppressed, but only because Japanese corporate profit margins are taking most of the initial strain – hardly good news for corporate profits in the longer term.

Currency key

The real key to whether the recent setback in the Japanese equity market is a temporary phenomenon or something more sinister lies with the yen. Real Japanese interest rates have been raised substantially over the past year and are now more than twice as high as normal. So far this has not helped the yen; and with the gap between long bond yields and corporate earnings yields widening to over 5 percentage points, compared with a more normal 3.5 percentage points, the equity market is looking increasingly expensive.

Given the relative strength of the Japanese economy, the yen looks seriously undervalued at current levels. The Japanese would dearly love the Americans to reflect this by bringing down their interest rates. This would be good news for stock markets everywhere. But if this does not come about and short-term Japanese interest rates have to be moved up another few notches to support the yen, the damage to Japanese equity and real estate values could be considerable. Indeed, there must be a nagging worry that the currency's weakness has far more to do with Japan's capital outflow, which is roughly three times as large as its current account surplus, than with any vagaries of the foreign exchange markets.

If Japan's real estate and equity markets are as inflated as some suggest, this outflow into less expensive overseas financial markets is a worrying sign. It may be temporarily reducing US Government bond yields, but the longer the yen is allowed to weaken the greater the risk that the Japanese may have to take actions which other financial markets will live to regret. It would be dangerous to imagine that Tokyo's current troubles are a purely internal affair. A further sharp drop in Japanese equity prices could just be the sort of event which would tip the world into the recession it has been avoiding for so long.

Union leaders press for action over pay levels at Iveco Ford

By Michael Smith, Labour Correspondent, in London

MANUAL WORKERS at Iveco Ford, Britain's biggest truck maker jointly owned by Ford Motor and Fiat, are to be recommended by union leaders to vote for industrial action over a 9.25 per cent pay offer.

The recommendation comes despite the announcement by the company last week that it was going onto a three-day week because of the depressed state of the truck market.

Iveco Ford is jointly owned by Ford Motor and Fiat, the Italian motor group.

The recommendation for industrial action, which will be put to the test in a ballot on Friday, demonstrates the growing pressures on companies to concede pay rises above the rate of inflation.

It coincides with hopes at Ford that disputes at its 21 wholly-owned UK sites will come to an end this week.

Ford will today re-open its Halewood, Merseyside, plant after a seven week closure in the expectation that semi-skilled workers will allow the management to perform some of the tasks of skilled workers.

It hopes this will help persuade 1,600 members of the EETPU electricians' union in Ford plants throughout the country to abandon their four-week-old official strike. The EETPU is holding a ballot of members today and majorities for returning to work are expected in at least some plants.

At Ford Iveco, the 1,100 hourly paid workers at the company's plant at Langley, Bucks, have been offered 9.25 per cent in the first year of a three year pay deal, to be followed by 7 per cent next year and 6 per cent the year after.

The company is also looking for changes in its pay structure and wants greater employee work flexibility.

Mr Jock Campbell, union convener, said all three unions at the plant – the TGWU general workers' union, the AEU engineering union and the EEPTU – were advising members to vote for industrial action.

In spite of the fall in truck demand which prompted the three day week, Mr Campbell said the company was still making profits and could afford to pay a percentage pay increase in double figures.

Mr Campbell said: "Outside influences are affecting the truck market but our members need money to cope with rising mortgage payments and the poll tax." He was confident of support for action in the ballot.

Ford's confidence in its ability to resume production at Halewood was increased at the weekend when union leaders of semi-skilled employees told members at a mass meeting that they should heed the company's plea to return to work. Mr Richie Rowlands, plant convener, said there was no dissension.

The EETPU members, on strike in virtually all Ford plants since the beginning of last month, are protesting against a company pay deal which has been accepted by a majority of Ford's 1,600 workers. They object to the introduction of integrated work teams of both semi-skilled and skilled workers and say pay differentials are being eroded.

At Halewood problems caused by the EETPU stoppage have been exacerbated by a strike of AEU craft members.

Mexican dispute settled, Page 3

Puzzling time for Soviet voters

Continued from Page 1

Moscow State Construction Bank, the august Soviet environment – Ionian columns, crimson carpets, Lenin busts – did not intimidate voters, as it might have in the bad old days.

Very few bothered to retire into the curtained booths as they marked their four lists – two for the Russian Parliament, one for Moscow City Council and one for the local council – on each of which they had to cross off every name except the candidate of their choice.

President Mikhail Gorbachev looked tired but in high spirits as he sparred amiably with journalists when casting his own ballot.

He expected the Communists to be "rather widely represented" among successful candidates in the election – not surprising given that over 80 per cent belong to the Party.

But he is taking no chances. He confirmed his own intention to stand for election as executive president, with unprecedented powers, later this month – so that it will not matter in the event that yesterday's election turns out to be the last in which the Communist Party is represented quite so widely.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	15	59	Dallas †	S	6	43	Madeira	F	15	59	Prague	C	5	41
Algiers	F	16	61	Dublin	Dr	9	48	Madrid	F	8	46	Reykjavik	C	1	34
Amsterdam	C	8	46	Dubrovnik	S	10	50	Majorca	F	13	55	Rhodes	S	15	59
Athens	C	8	46	Edinburgh	F	8	46	Malaga	C	15	59	Rio de Janeiro	–	–	–
Bahrain	S	20	68	Faro	R	13	55	Malta	F	14	57	Rome	S	13	55
Barcelona	S	12	54	Florence	S	14	57	Manchester	Dr	8	46	Salzburg	S	0	32
Belfast	F	8	46	Frankfurt	C	6	43	Melbourne	C	22	72	S'Francisco †	C	11	52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder. † Noon GMT temperatures

Kohl under pressure

Continued from Page 1

backing for German unification was given last night by Mr Douglas Hurd, Britain's Foreign Secretary.

Addressing the British Conservative Association in Belgium, he said that "between the 'two plus four' arrangements, Nato and the European Community we have the frameworks in place for offering a warm and confident welcome to a united Germany."

He said it was right that the leaders of the 12 should be meeting next month to consider how best to manage the progressive integration of the GDR – but while highlighting the problems that would have to be overcome in a "host" of areas he added that "the process need in no way delay unification."

The emotions stirred by the border reflect the circumstances that led to Poland being shifted westwards by the Allies at the end of Second World War. While Poland lost territory to the Soviet Union, it gained the German territories of Silesia, Pomerania, and most of East Prussia.

Millions of Germans were forced to leave Poland, which had been the first country to suffer Hitler's invasion in 1939. They are represented today by the association of expellees.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 5 1990

INSIDE

Tony O'Reilly turns crystal gazer

Mr Tony O'Reilly, chief executive of Heinz and chairman of the Dublin-based Independent Newspapers Group, has an appetite for brand names similar to a party of Japanese shoppers let lose in Paris for the weekend. He believes that there are no more than 250 brands world-wide that are identified with quality and service. Two of them are Waterford crystal and Wedgwood china, and last Friday Fitzwilton, an investment company also based in Dublin and headed by Mr O'Reilly, in partnership with Morgan Stanley, the US investment bank, announced plans to take a 29.9 per cent stake in Waterford Wedgwood. Kieran Cooke reports. Page 25

Gardini seizes the initiative in the battle for Enimont

Mr Raul Gardini (left) has again seized the initiative in the battle to determine the future strategy and control of Enimont, the Italian chemicals joint venture launched 15 months ago by Eni, the state energy group, and Mr Gardini's Montedison. By proposing at the weekend to merge all of Montedison's chemicals activities with Enimont and to set a 50-day deadline for approving a related capital increase, the Ferruzzi boss has forced both Eni and the Italian government onto uncomfortably defensive positions, writes John Wyles. Page 23

Correction: Philips

Due to a transmission error, a sentence in the feature on Philips on March 2 wrongly stated that all four of the company's core activities performed badly last year. In fact, Philips' consumer products division had a 34 per cent increase in profits and the lighting division saw profits fall slightly. By contrast income from professional products and systems fell to a little over one-tenth of the previous year's level, and the components division suffered substantial losses.

Market Statistics

Companies in this section

Body heat and an end to the deadly loneliness

Kevin Done, William Dawkins and **George Graham** look at the alliance between Renault and Volvo

Levy (left) and Gyllenhammar: two together can keep warm

Raymond Levy, the former oil and steel industry executive chosen by the French Government three and a half years ago to complete the drastic restructuring of Renault is in ebullient good humour over the group's forthcoming alliance with Sweden's Volvo, the latest step in the dramatic re-drawing of the map of the European motor industry.

Renault felt isolated and alone in the face of the daunting challenges confronting the company in the 1990s, not least the dawning of an age of no-holds-barred competition from Japanese vehicle makers.

"We are isolated due to our past and being 100 per cent state-owned," says Mr Levy, "I believe loneliness is deadly."

A man of humour but with a public reputation as an austere intellectual, he quotes with a smile from Ecclesiastes in support of the new entente. "If two lie together, then they have heat: but how can one be warm alone?"

Despite the immense financial turnround Renault has achieved in the last five years – first under Georges Besse until his assassination in November 1986 and then under Levy – Renault has been acutely aware that it was the smallest of the big six volume car makers in Europe.

Mr Levy was also very conscious of the company's lack of a second executive or luxury car marque in Europe, a shortcoming that has become even more pronounced in the wake of Ford's acquisition of Jaguar and General Motors' takeover of management control of Saab, Volvo's domestic Swedish rival. "We are not going to use the name Volvo immediately, but that is certainly in our minds for the future."

Renault must do still more to improve its image, he says. "We are doing a lot in quality, and innovation and technical improvements, changing our culture, forgetting the image of a publicly-owned company dependent on the Government for money or instructions – we don't depend on it for either – but we need to do more. To have a connection with an undisputed top-range brand like Volvo may be useful to us."

The spark for the grand alliance now planned came from a Volvo inquiry in 1988 about the availability of Renault Véhicules Industriels (RVI), Renault's previously heavily loss-making commercial vehicles subsidiary.

Volvo was told that RVI was not for sale, but the need for both groups to map out new strategic directions for the 1990s led to a crucial dinner between Mr Levy and Mr Pehr Gyllenhammar, chairman and chief executive of Volvo, at the Brussels Hilton on February 22 last year.

Concern about the looming Japanese offensive in West Europe was a major factor pushing the two sides together. It helped drive them on, when the negotiations threatened to founder last autumn.

Initially, says Mr Levy, there were two main alternatives on the agenda:

- the creation of two separate companies one for cars and one for trucks and buses with Renault clearly taking the lead in cars and Volvo in trucks, or
- to try "to build together something like a sort of merger."

The first alternative, which would have provided clearer lines of management responsibility than the presently planned alliance of minority cross-holdings, was discarded last autumn, because "both of us were reluctant to let go of control of our own organisations," says Mr Levy, "probably the Swedes more than me...They didn't like the idea of letting the cars go."

Mr Levy says the final formula – under which the two companies will exchange minority stakes in their truck and car operations – represents "a medium way." The cross shareholdings were a device for the parent companies to ensure that "it would be detrimental for the subsidiaries to wage a civil war against one other."

Aware that an uncomfortably high proportion of modern marriages end in the courts, Mr Levy insists that the deal with Volvo has been constructed so as to ensure that neither party "can be tempted to go astray, marry somebody else or even divorce."

He says that he has told his board that the possibility of "adultery" had been made very difficult.

The final agreement, which is still to be written, would include "punishments" with devices such as "first refusal and divorce clauses."

Neither Renault nor Volvo is betting on the deal being implemented much before the end of the year. There are several obstacles still to overcome, not least the need for the French Government to pass a law changing Renault's favoured "regie" status to that of a limited company.

An earlier attempt by the Chirac Government to change Renault's status was defeated, but Mr Levy claims that circumstances are different now. The deal has met with approval from all sides except from the Communists.

The top-level contacts between the two groups will be conducted through three committees, one general policy committee with Levy and Gyllenhammar as co-chairmen and two two-man committees, consisting of the heads of the respective car and truck operating companies in "organised dialogue."

"We are not building a government by committees," insists Mr Levy. "The different operating units would lead an independent life, "but we have created a sufficient community of interest to orient their policies or to force them to look at the partner and work with him."

Mr Levy readily admits that the co-operation model chosen by Renault and Volvo could be fraught with problems. "It's a bet, I hope we will succeed, we will have spent a lot of money and credibility. We both feel we shall be pressed by necessity."

An early warning from Dr Doom

By Anthony Harris

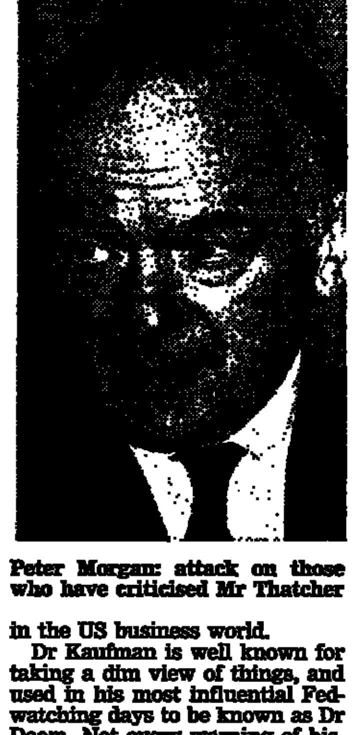
Sometimes a visit home seems just a step across the pond; sometimes, a step across a time-warp. The strange outburst from the head of the Institute of Directors, which was attracting London headlines as I landed this time, made the Atlantic seem wider. British readers will already know that the man from the Institute – Mr Van Winkle, was it? No, Mr Peter Morgan – was attacking anyone who had a breath of criticism of Mrs Thatcher's achievement, or of the standards of conduct on the 1980s, as an Enemy of Success.

This, it appears, is the capitalist equivalent of what the unreconstructed Communists used to call a class enemy. He used the term to abuse socialists, elitists, the Church and the Press more or less indifferently – the Establishment, as we used to call it. This may sound like the ordinary language of right-wing radicalism, but not to ears which have become use to an American accent.

First, such attitudes are now unfashionable in the US, because the President is himself an Enemy of Success in these terms. This has been pretty obvious for some time, as the Administration has catalogued the disasters which resulted from the lax management of the Reagan era. It has now been underlined by the ill-concealed delight with which this old-money, Ivy League administration has allowed the collapse of Drexel Burnham Lambert, the corporate symbol of 1980s success.

What is more, the Institute of Directors would itself be classified as a class enemy were it translated to the US. It stands for management at its most assertive, claiming the Right to Manage (not to mention the Right to Write its own pay-cheques). But in the US there is still a useful class of assertive owners – i.e., shareholders. They are led by bidders like Mr T Boone Pickens, and annual-meeting guerillas like Mr H Ross Perot, who regard entrenched management as an obstacle to wealth and progress. They question managerial pay and board appointments, and make an admirable nuisance of themselves.

However, it is not clear how much longer they can go on, because although private holders still own the majority of US equity, it is a rapidly shrinking majority. The institutions, with their non-owning, performance-tested managers and consequently short time horizons, are taking over, as they long ago took over in Britain. This is creating which the thoughtful Dr Henry Kaufman recently called "a growing ownership vacuum" in the US business world.



Peter Morgan: attack on those who have criticised Mr Thatcher

Dr Kaufman is well known for taking a dim view of things, and used in his most influential Fed-watching days to be known as Dr Doom. Not every warning of his, then, should be treated as infallible prophesy: indeed his speech, addressed to those students of New York University interested in entering the money markets, was intended to arouse resistance to the trends he described. It may even have succeeded, to judge from the recent attempts by State pension fund managers to intervene in the affairs of General Motors and one or two other large corporations of questionable dynamism.

All the same, the trend Dr Kaufman fears is clearly there, and is clearly a strong one. Managers are becoming more secure in their tenure, but for takeovers. This, according to Dr Kaufman, leads inevitably to corporatism, as the state and business bureaucracies get cosy together. The idea that the private pensions schemes which Mrs Thatcher has backed to encourage self-reliance are actually incubators for the corporate state has an appealing irony.

That is not the end of the story. Dr Kaufman also argued in his speech that deregulation is self-defeating in a rather similar way. Dr Kaufman's point is not, as you might suppose, the obvious one: that deregulation leads to excesses, which in turn provoke calls for tighter regulation. (The sight of the Fed Chairman, Dr Alan Greenspan, drawing this conclusion from the Drexel collapse was highly suggestive, all the same.) Dr Kaufman believes that the attempt to impose financial discipline through tighter supervision is bound to fail.

His argument is rather that deregulation in the long run reduces competition. Deregulated airlines are now merging, and exploiting travellers, except to the most popular destinations. The American monetary authorities are bound, he says, to be forced to allow previously specialised institutions to merge into universal banks on the European model. Such banks, he suggests, are natural players of elitist and corporatist games. The reasoning looks sound, and again the irony is most appealing. Will President Reagan (and Mrs Thatcher) prove in the long run the most insidious "enemies of success"?

Meanwhile, it is worth passing on one less controversial warning from Dr Doom. It is this: the decline in the quality of credit in the last two decades, a decline which is bound to continue as the banks struggle to keep their more doubtful customers afloat, is in the long run inflationary.

This is partly the consequence of the fiscal deficit inherited from Mr Reagan, which means that there is not scope for a fiscal stimulus to offset any business downturn; to that extent it is an American problem. But it also reflects the growing fragility of enterprises which have borrowed heavily. That problem is more widespread. Volckerite assaults on inflation through high interest rates are already too risky to be tried again in the US, and may soon be a thing of the past in the UK, too.

Economics Notebook

Where interest hits hardest

STERLING'S sudden fall last week has revived City mutterings about the possibility of a new rise in bank base rates to prop up the pound and so curb inflationary pressure.

Only a week ago, a further jump in rates from 15 per cent appeared a remote prospect after the pound had recovered to levels seen just before Mr Nigel Lawson's resignation as Chancellor last October.

Since then, the Government's poll tax problems have grown, Labour's lead in the opinion polls has approached 20 per cent and the City has started to suspect that Mrs Thatcher is heading for defeat at the next general election.

Although the higher base rate talk is still only talk, it makes the life of Mr John Major, the Chancellor, no easier ahead of Budget day on March 20.

A recent study from the Council of Mortgage Lenders, representing UK building societies and other housing finance companies, shows why.

Written by Mr Jarlath Costello, a CML economist, it investigates the effect over 12 months of a sustained one percentage point increase in building society mortgage and savings rates. It may explain why demand has continued to be so resilient in the economy and why the Government is reaping such a grim political harvest from its high interest rate policy.

It comes as no surprise to learn that the south east and Greater London are Britain's two most heavily indebted regions. They have a greater number of mortgage holders and higher average mortgage debt per holder than elsewhere.

But besides Greater London, the regions that suffer most from higher building society rates are the east and west Midlands. In these three areas, mortgage debt is appreciably higher than building society investment.

In Greater London, for example, a one percentage point rise in rates costs borrowers £240m and gives investors £197m. London therefore loses around £43m to other regions.

Similarly, the west Midlands loses nearly £29m and the east Midlands £16m while the south east, with its large number of building society investors, loses only £2.1m.

All other regions, and in particular Wales, the south west, the north and Scotland, benefit from these outflows.

The study also investigated the distribution of mortgages and investment by age group. Unsurprisingly, it found that the 35 to 54 year-old group had the highest total of mortgage debt with £65.1bn. The 25 to 34 year group followed close behind with £64.1bn.

However, at £26,700 per holder, the younger group's average individual mortgage debt was markedly higher than the older group's £18,800. As might be expected with people starting careers and families, the younger group has low building society investments of only £21.3bn. By contrast, the investments of the over-55 age groups far exceed mortgage obligations.

A one percentage point rise in building society rates therefore costs the 25 to 34 year age group £429m and the 35 to 54 year group £209m. The 55 to 64 year olds and over-65s register net gains of £300m and £507m respectively.

These figures could explain the continuing strength of consumer demand. Economists were puzzled by preliminary figures, which showed that total consumer spending rose a real 4.3 per cent last year, or twice the rate of retail sales. One answer could be that Britain's older citizens were spending their investment income on services as well as in the shops.

The political implications of the saving and borrowing patterns become clearer after taking account of Mr Costello's analysis of the social grade of building society customers.

The most heavily mortgaged social grades are C1, comprising clerical and administrative workers and junior managers, and C2, the skilled manual workers.

Their total borrowings exceed their total investments by £4.2bn and £6.8bn respectively.

Although the senior managers and professionals of the AB grade have the highest average individual mortgage debt of around £28,840, as a group they benefit from higher rates because their total investments exceed their borrowings by £6.3bn. Overall, the C1s and C2s lose £42m and £68m from every one percentage point rate rise while the ABs gain £62m.

The political implications of such figures can be read on the furrowed brows of Conservative back-benchers.

The people who are being clobbered are the junior professional and skilled manual workers in London and the Midlands.

These people have voted three times for Mrs. Thatcher and accounted for virtually all the increase to 66 per cent from 56 per cent in the proportion of owner occupied housing in the UK in the 1980s.

They would of course stand to gain most from an eventual fall in building society rates. But with inflation now likely to reach 9 per cent before it falls, Mr Major has precious little time to engineer such a turnaround before the next general election.

Peter Norman

THIS WEEK

Financial markets will this week receive the next set of signals about the health of the US economy, and stay sensitive to further changes to monetary policy in the Germanys and inflation in Japan.

Last week's US data was mixed. While the markets seemed to believe the economy was bouncing back, analysts said the decline in durable goods orders and car sales wiped out the gains of recent months.

This week's figures should provide a clearer picture, and the markets are especially looking to the employment data on Friday for a lead. Non-farm payroll and unemployment figures for January are viewed as the most important statistics this week – but are not expected to affect Federal policy.

Signs of an upturn in the automobile and construction industries are expected. The median forecast of MMS international, the financial research company, is a rise of 223, 000 in the non-farm payroll and of 5.3 per cent in the civilian unemployment rate.

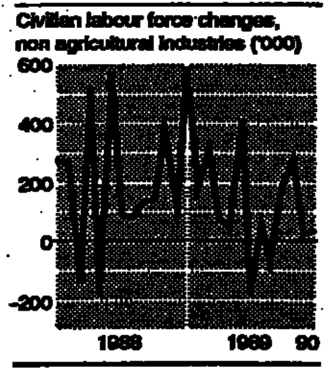
There is no respite in sight for the global bond markets. Despite the bond support operation by the Bank of Japan, its row with the Ministry of Finance over interest rate policy has increased uncertainty. At the same time, sterling and the yen's falls on the foreign exchanges late last week, despite intervention to stop the dollar rising, added to bearish market sentiment.

And if there are large increases in US jobs, bonds should slide – even if there are favourable West German trade figures, expected in the week. They are likely to show the surplus flattening as imports benefit from effect of tax cuts and immigration, while the higher D-Mark dampens exports.

Also due are the industrial production and new order figures for January. These are expected to reflect the accelerating growth in the economy as business opportunities in Eastern Europe open up.

US Employment

Civilian labour force changes, non agricultural industries ('000)



In France, M2 for January will be published, and is expected to show a 0.3 per cent rise after December's 0.5 per cent drop.

Other notable events and statistics, with MMS forecasts in brackets, are:

Today: UK, final January retail sales (provisional, -1.3 per cent), credit business. Japan, G7 deputies meet to attend a meeting of OECD's working party 3(scheduled for March 5 or 6). East-West German Committee on monetary union meets in Bonn.

Tomorrow: Bank of Japan's quarterly economic survey of industrial performance. UK, February new car sales. US, factory orders for January (-5.4 per cent).

Wednesday: UK, January housing starts. US consumer credit, (4 per cent). Hong Kong – Financial Secretary Sir Piers Jacobs gives 1990 Budget Speech, US, productivity and costs for Febuary.

Thursday: UK, Confederation of British Industry/Financial Times February Distributive Trades Survey. Short sterling futures contract starts on automated pit trading system of London International Financial Futures Exchange.

Friday: UK, Construction output for 4th quarter of 1989.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Tentative comeback for Euroyen sector

A SPARK of interest has returned to the Euroyen market this year, shaking it out of a long torpor, but it is too soon to predict a rash of new issues.

Some of the Euroyen deals that have trickled into the market in recent months are being conducted on the back of a modest pick-up in European investor demand for yen bonds – for the first time since the start of 1988.

As Japanese Government bond yields have risen by close to 30 per cent since the beginning of the year and the yen has depreciated against the dollar, some foreign investors believe now is the time to build up their underweight yen holdings.

Last year European investors lost interest in yen bonds when the Group of Seven countries effectively knocked the market on its head. Its decision to hold the yen and dollar in a narrow band in the wake of the yen's appreciation throughout 1987 dried up new issues in the Euromarket.

A slowdown in issue volume in the past two years led to a lack of liquidity in yen bonds last year, when deals were having to rely on innovative structuring. New issues were either Nikkei-linked, reverse dual-currency bonds or reliant on some kind of arbitrage structure.

Although the recent turmoil in Japanese bonds and stocks has discouraged some borrowers from coming to the market, there has been increasing opportunity for launching straight yen bonds this year.

So far, about Y160bn worth of deals have been done in the freer Euroyen sector and three benchmarks have been established.

The last two months have seen the launch of three 10-year issues that met with investor interest to bolster lead managers' claims of establishing liquid benchmark products. These probably overwhelmed the fragile rise in demand for yen bonds, as some of the paper is still floating around the market depressing trading levels.

The launch of the Y50bn bond deal for the World Bank earlier this week hit the European Investment Bank's deal immediately and the trading level tumbled, pushing up the yield by 17 basis points to 6.87 per cent. The EIB's Y40bn of 10-year bonds were launched as a benchmark in February, but were sold by investors eager for World Bank paper.

The SNCF Y25bn deal, which was later boosted to Y30bn, was the first 10-year issue to tap the latent demand for yen bonds.

It benefited from being the first to come to a market eager for longer-term paper, but then suffered as later deals were launched. It is currently trading at a level of 95.55-97.75 against an issue price of 102.

The market appears to have satisfied its appetite for long-term yen paper for the time being and is unlikely to see the issue of any further new benchmarks. Given that the World Bank deal is now trading at a level of less 2.70-2.65, Euroyen yields are approaching those on Japanese government bonds, which are at their highest levels for five years.

Japanese attention remains fixed on the likelihood of a rise in the official discount rate, which is currently at 4.25 per cent. Bond investors, worried about inflation in Japan since the beginning of the year, have pushed government bond yields over 7 per cent.

A discount rate rise could see some money flow back into Japan, however, as foreign investors hold very low weightings in yen.

This is not expected to cause a rush of borrowers to the Euroyen market, but it has at least reopened the sector after a long sleep.

Deborah Hargreaves

EUROMARKET TURNOVER ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	576.4	65.0	5.0	13,587.8
Prev	605.0	0.0	101.0	11,253.3
Other	2,904.7	47.1	831.9	3,959.2
Prev	1,828.6	48.8	631.5	2,324.6
Secondary Market				
US$	14,805.8	856.0	4,739.6	8,362.9
Prev	17,017.8	682.7	5,401.7	7,055.5
Other	27,009.2	878.5	7,084.3	55,530.0
Prev	25,992.7	828.3	7,912.6	69,883.5

	Cedel	Euroclear	Total
US$	13,853.2	29,145.3	42,998.5
Prev	12,861.1	29,255.9	42,117.0
Other	41,913.1	56,331.8	98,244.9
Prev	42,832.4	65,818.2	108,650.6

Week to March 1, 1990 Source: AIBD

INTERNATIONAL LOANS

Chicago bank in loan broker move

CONTINENTAL BANK, the Chicago-based commercial bank, has gone into the business of brokering loan sales – acting as principal and agent in transactions between buyers and sellers of loans.

While such brokers are operating on a small scale in US markets, the business is virtually unheard of in Europe. But certainly, the emergence of a nascent broker's market in loans is a sign of further erosion of the distinctions between securitised and unsecuritised lending. After all, if there is a liquid secondary market in loans, with fees for middlemen, can it be distinguished from the bond market?

Mr Charles Law, managing director in change of European debt distribution at Continental, cautioned that the market for brokered loans in Europe was tiny. "It's only just beginning here," he said.

Mr Law said Continental approached lenders about loans they might wish to sell, sometimes purchasing them and holding them on their books until a buyer could be found.

The bank took a spread from buyer and lender to make the transaction possible.

Meanwhile, bankers at other US institutions, which have experimented with the business and abandoned it, expressed scepticism that brokering would ever be successful in Europe.

"We've tried it and it didn't go anywhere," said a banker at one US institution with an active secondary loan sales department. Recently, he said, his bank had approached a number of Japanese institutions with a large number of highly-leveraged transactions on their books and offered to find buyers for a portion of them.

Pressure from Japanese regulatory authorities to reduce exposure to such transactions should have made the bankers eager for the opportunity to sell their loans. However, the US banker reported, the institutions rejected the offer, fearing word of their loan sales would circulate in the market and damage their reputation as lenders.

Lenders are likely to join a syndication, not to earn the profit margin on the loan – which is often meagre – but to establish a relationship with the borrower. For banks which purchase their loans anonymously through a broker, there is little opportunity to build a relationship with the borrower that could lead to other, more profitable, business.

But Mr Law said that lenders were now less reliant on this form of transaction to help them establish relationships with borrowers. Indeed, banking is more transaction-driven than relationship-driven, with borrowers looking to get the best price for each service separately, rather than concentrating all their business with a core of lenders.

While loan brokering is virtually unheard of in Europe, bilateral loan sales in Europe total billions of dollars each year.

Bankers say that most borrowers expect their lenders eventually to dispose of a portion of their exposure through assignment or sub-participation to another bank.

Banks feel more confident about buying loans directly from each other because they assume the seller will inform them of relevant details about the borrower.

In an article in the Journal of Applied Corporate Finance, a magazine sponsored by Continental Bank, two officers of the bank calculate that most borrowers, in practice, expect the lead-selling banks for a financing to continue to hold at least 10 to 20 per cent of the credit as part of an overall relationship. The borrowers typically allow for the remaining 80 to 90 per cent to be assigned or participated.

However, the responsibility of acting as lead bank in a transaction with many lenders is becoming onerous. In their article, the bank officers tell of a recent transaction in which the agent bank considered resigning shortly after the transaction was completed.

The agent had put together and underwritten a $500m loan which was parcelled out in $10m to $15m pieces to 20 to 30 lenders. The cost of keeping all appraised of a borrower's financial situation was enormous when weighed against the meagre annual agents' fees that were negotiated. Thus, the role of loan sellers is only attractive if the obligation can be removed from their balance sheets completely.

The officers note that while the right to assign a loan to others was virtually unheard of a few years ago, assignment clauses are now included in most agreements. However, because borrowers like to control their lending group, these clauses vary widely among agreements.

Mr Law said that the most likely candidates for brokered sales were seasoned loans – 12 to 18 months old – where buyers could feel confident in the borrower's ability to repay.

This is particularly true for highly-leveraged transactions where lenders may be particularly anxious to reduce their exposure through loan sales but find a limited pool of buyers willing to take on the risk.

Norma Cohen

INTERNATIONAL CREDITS

Michelin placement increases to $1bn

A $750m junior subordinated private placement for Michelin, the French tyre group, has been heavily over-subscribed and will be increased to $1bn, according to Salomon Brothers International and J.P. Morgan, arrangers of the deal.

The success of the transaction comes in spite of a recent chariness among lenders over equity-like debt offerings following the US junk bond market's collapse. While Michelin is by no means a junk bond – its debt securities are unrated – the subordinated characteristics of the loan were judged by some bankers as likely to discourage investors.

However, Salomon said it had received commitments for well over $1bn of the loan and that participants were likely to have their participations pared back to no more than $50m each. Market sources said that fees would total about ¼ points for commitments at that level.

The transaction carries a margin of 57½ basis points over Libor for the first five years of the loan. It then converts to a variable rate loan in which the spread over Libor is set by an auction mechanism, up to a maximum of 90 basis points. This mechanism has been successfully used by several big banks in the past two years to raise both senior and subordinated debt.

About 40 per cent of the loan has been subscribed for by pension funds and insurance companies, which have different perceptions of risk from bank lenders. Of the bank subscribers, about half are French, with the remainder comprising Continental and Japanese institutions.

The equity-like characteristics of the loan become apparent in the interest deferral arrangements. Michelin may only withhold interest payments if it has paid no dividend to shareholders for a year and, on a cash-flow basis, the company has lost more than 50 per cent of its net worth. The arrangers said that the interest deferral terms had been a key selling point for the transaction because they were unusually tough.

● Bank of Greece is poised to appoint a group of eight banks to syndicate an eight-year loan of between $400m and $600m at an all-in cost to the borrower of 40 basis points. Bankers said the terms were suitable for the borrower. The loan is expected to carry a margin of ⅜, possibly rising to ½ later.

Norma Cohen

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toda Corp.♦◆	300	1994	4	2⅛	100	Nikko Secs. (Europe)	2.125
Yamanouchi Pharmac.♦◆	300	1994	4	2⅛	100	Nikko Secs. (Europe)	2.125
Halifax Building Soc.◆	200	1995	5	9⅜	101.70	IBJ Int.	8.939
Mitsubishi Oil♦	250	1994	4	2⅜	100	Yamaichi Int.(Eur)	2.375
Unilever Cap.Corp.(u)◆	250	2000	10	9¼	99.45	Deutsche Bk Cap.Mkts	9.357
Yasuda Tst & Bank.(Lux)◆	50	2000	10	(j)	102	Yasuda Trust Europe	-
Marubeni Int.Finance◆	31	1995	5	3	79.295	Fuji Int. Finance	8.215
Denmark, Kingdom of◆	771	1995	5	9¼	99.76	J.P. Morgan Secs.	9.312
Matsushita Electric Ind♦	1bn	1994	4	2⅛	100	Nomura Int.	2.125
Hazama Corp.♦	200	1994	4	(2½)	100	Daiwa Europe	☆
A/B Electrolux(p)☆☆◆	50	1997	7	8.9	100	Mitsui Finance Int.	8.900
Mitsui Min.& Smelting☆☆◆	42	1994	4	Zero	72.04	Nomura Int.	8.544
Panasonic Finance(u)◆	300	1994	4	9⅜	99.93	Nomura Int.	9.397
D-MARKS							
Kredietbank Int.Fin.(c)◆	75	1992	2	10⅛	101.45	Bankverein Bremen	9.297
Amsterdam-R'dam Bank‡◆	500	2005	15	(i)	100	Trinkaus & Burkhardt	-
National Bk of Hungary◆	200	1997	7	10	100	Commerzbank	10.000
SWISS FRANCS							
Carter Holt Harvey(a)§◆	161	1995	-	7	100	S.G. Warburg Soditic	7.123
S'tomo Coal Min.(o)☆☆§◆	50	1994	-	Zero	100	Banca del Gottardo	-
Tokai Corp(Gifu)(n)☆☆§◆	60	1994	-	Zero	100	Bank Julius Baer	-
O S Co.(q)☆☆♦◆	20	1994	-	2¼	100	SBC	2.250
Kawasaki Electric(m)☆☆§◆	40	1995	-	Zero	100	Banca del Gottardo	-
Kobayashi Metals(l)☆☆§◆	35	1994	-	Zero	100	Wirtschafts-und Prbk	-
Tigers Polymer(r)☆☆§◆	30	1994	-	Zero	100	Citicorp Inv. Bank	-
Toho Chemical Ind.(b)☆☆§	50	1995	-	Zero	100	Daiwa (Switzerland)	-
Fuji Co.(d)☆☆§	100	1994	-	Zero	100	Banca del Gottardo	-
Royal Hotel(f)☆☆§◆	200	1994	-	Zero	100	Banca del Gottardo	-
Mitsubishi Oil(g)☆☆§	200	1994	-	Zero	100	Credit Suisse	-
Jidosha Kiki Co.(k)☆☆§	100	1994	-	Zero	100	Yamaichi Bank(Switz)	-
Japan Tobacco◆	110	2000	-	7½	101	UBS	7.355
European Mortgage Bk☆☆◆	80	1995	-	7⅝	101	Bank Leu	7.379
ECUs							
ASLK-CGER-IFICO(h)‡◆	20	1993	3	-20bp	100	Mitsui Finance Int.	-
LUXEMBOURG FRANCS							
Cerinvest NV(s)☆☆◆	600	1993	3	10¾	101⅞	Kredietbank Int.	9.996
Credit Foncier(t)☆☆◆	300	1995	5	10½	101⅞	Kredietbank Int.	10.005
Olivetti Holding BV☆☆◆	300	1995	5	10⅝	101.90	Banque UCL	10.122
YEN							
Toyota Motor Finance◆	30bn	1993	3¼	7⅛	101.3125	Nomura Int.	6.771
Union Bank of Finland◆	10bn	1995	5	7¼	101.85	Sumitomo Trust Int.	6.801
Postipankki(e)◆	3bn	1992	2	8½	101⅛	Nippon Credit Int.	7.870
Postipankki(e)◆	1.5bn	1992	2	9¼	101⅛	Nippon Credit Int.	8.614
World Bank◆	50bn	2000	10	6¾	101⅛	Nikko Secs. (Europe)	6.593
Sth Australian Gov.Fin.◆	10bn	1992	2	7⅜	101.075	Daiwa Europe	6.782
Credit Lyonnais◆	10bn	1995	5	7.2	101⅞	LTCB Int.	6.746
Kredietbank Int.Fin.(e)◆	3bn	1991	1	15	101⅛	New Japan Secs.	13.721

☆Not yet priced. ☆☆Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Conversion price NZ$2.78. b) Yield to put 3.711%. c) Redemption linked to BFr exchange rate. d) Yield to put 4.264%. e) Nikkei stock index linked redemption. f) Yield to put 4.253%. g) Yield to put 3.9%. h) 20bp under 3-month Libor. Put on coupon dates at 100. Non-callable. i) ⅛ over 6-month Libor first five years, ¼ over next five years, ⅛ over last five years. Non-callable. j) 30bp over 6-month Libor first three years, then 10⅛% fixed thereafter. k) Yield to put 3.9%. l) Yield to put 3.694%. m) Yield to put 3.512%. n) Yield to put 3.401%. o) Yield to put 3.26%. p) Put in event of earthquake in Japan. Redemption linked to the event of an earthquake in Japan. q) Coupon increased from 2%. r) Yield to put 3.444%. s) Launched in two tranches of LFr300m each. Fungible with recent issue. t) Fungible with recent LFr300m issue. u) Fixed re-offer price. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Gardini regains Enimont initiative with merger plan

By John Wyles in Rome

MR RAUL Gardini has again seized the initiative in the battle to determine the future strategy and control of Enimont, the chemicals joint venture launched 15 months ago by Eni, the state energy group, and Mr Gardini's Montedison.

By proposing at the weekend to merge all of Montedison's chemicals activities with Enimont and to set a 50-day deadline for approving a related L10,000bn ($7.8bn) capital increase, the Ferruzzi boss has forced both Eni and the Italian Government on to uncomfortably defensive positions.

Against Mr Gardini's "vision" of a broadly based chemicals company of a globally competitive size, the public sector can pit only its determination that no change should be allowed to force it into a minority shareholding position.

This, however, clearly remains Mr Gardini's objective. In an attempt on Saturday to persuade parties to negotiate, he forced a further postponement of Enimont's shareholders' meeting until March 28.

This avoided pressing ahead with the nomination of two directors representing the 20 per cent of Enimont in third party hands. Since 11 per cent of Enimont is now held by Gardini supporters, both Eni and the Government have decided that such additions to the board would trigger a legal battle rather than negotiation.

After Saturday's meeting, Mr Gardini affirmed that he would be prepared to underwrite all of his proposed capital increase – a statement dismissed as bravado by Eni sources who have been casting doubt on his financial strength.

Mr Gabriele Cagliari, Eni's president, played down Mr Gardini's proposal as "a business idea" which could certainly not be examined nor launched within his stated timetable.

Mr Gardini suggested that merging Montedison's Himont and Ausimont would raise Enimont's capital by about L5,000bn – a valuation certainly not shared by Eni.

The strategic justification would be a company with sales of L20,000bn and gross operating profits of about L3,400bn.

Mr Gardini promised that Montedison would not sell its chemicals interests in Enimont while he remained the company's president.

The Italian model, Page 18

AUSIMONT, the flouro-chemicals subsidiary of Italy's Montedison chemicals group, and Atochem North America, an offshoot of Elf Aquitaine of France, are to exchange part of their productive capacity, writes Haig Simonian in Milan.

Atochem has been required by the US Federal Trade Commission to divest some of its flouro-polymer capacity because of the high market share it has gained through recent acquisitions.

As a result, it is trading a flouro-polymer plant at Thorofare in New Jersey for some of the organic peroxide manufacturing capacity owned by Ausimont at its Spinetta Marengo site in northern Italy.

No price has been disclosed. However, the Italian concern may have to make a payment once the assets involved have been fully valued in view of the fact that the Thorofare plant had sales of L75bn ($59m) last year, against L43bn for the Italian unit.

About 45 per cent of the Thorofare plant's sales are devoted to the US market. The deal remains subject to FTC approval.

BAT unit in US told to pay Liggett $148.8m

By Roderick Oram in New York

BROWN & Williamson Tobacco, a US subsidiary of BAT of the UK, must pay $148.8m damages to Liggett Group, the smallest US cigarette maker, for predatory pricing practices, a US court has ruled.

Liggett, wholly-owned by Grand Metropolitan of the UK when the case began in 1984, argued that Brown & Williamson had undermined its portion in the generic cigarette market in 1984 and 1985 through volume discounts and rebates to wholesalers.

In 1980 Liggett had helped establish the market for non-brand cigarettes with names such as Filter Lights, which typically sell for up to one-third less than brand cigarettes. It said it was financially damaged by having to match Brown & Williamson's incentives.

The jury in the Federal District court in Greensboro, North Carolina, ruled for Liggett and awarded $49.6m in damages. In such cases the sum is tripled as a penalty.

Liggett was sold to private investors in 1986 and taken public in 1987. Under the sale agreement, GrandMet will receive $16.5m of the jury reward and reimbursement of its expenses.

The jury rejected Liggett's other claim that Brown & Williamson had copied Liggett's "quality seal" on its own cigarettes. Liggett said it would seek another trial on the issue.

Lawyers for Liggett said Brown & Williamson had given wholesalers rebates of up to $1 on the $3.75 distributor price for a 10-pack carton of generic cigarettes.

● California's state Attorney-General has filed suit against Farmers Insurance Group, owned by BAT, charging the insurer with defying Proposition 103, the state's automobile insurance reform law, writes Louis Kehoe in San Francisco.

The suit charges that Farmers refused to offer "good driver discounts" on auto insurance premiums, one of several measures included in the controversial legislation.

Netherlands revamps bond sales

By Laura Raun in Amsterdam

THE Netherlands is introducing a new "counter" system of selling Dutch government bonds that will be more responsive to the market.

The new system differs from the traditional Dutch auction in that it will price the bonds more sharply and will continuously issue them for two months, instead of selling the whole tranche at once.

Mr Hans Bevers, for the Dutch Finance Ministry, said the move was in response to widespread uncertainty in the capital, currency and securities markets provoked by rising interest rates and inflation.

Plans for German monetary union have raised serious questions in The Netherlands over implications for Dutch economic policy. The country, saddled with the fourth highest state debt among the 24 countries of the Organisation for Economic Co-operation and Development, believes it is crucial to tap successfully the capital markets.

In 1988 total outstanding debt amounted to Fl 349bn ($180bn), or about 85 per cent of gross national product. This could exceed GNP by the year 2000, according to the Finance Ministry.

Rising interest rates are adding to the burden, which the state hopes to lighten by cutting the commission paid to intermediaries to 0.25 per cent from 0.6 per cent.

Mr Wim Kok, the Dutch Finance Minister, recently warned that higher interest rates would add Fl 600m to the government's financing burden in 1991. Of the Fl 42bn public sector borrowing requirement for 1990 about 26 per cent has been covered.

Continuing to draw sufficient foreign investors into Dutch government paper is vital. Foreigners have absorbed between 40 and 50 per cent of recent state bond issues.

The more market-oriented system also coincides with efforts to make Amsterdam a financial gateway to Europe, in part by recouping business lost to London. As much as half of all trading in Dutch government bonds has been siphoned off by London.

The new "counter" system will be used to issue a fresh state loan tomorrow. The 9 per cent 10-year bond should draw about Fl 5bn, the Finance Ministry believes.

Paper will be sold at prices above a minimum set daily by the Finance Ministry, depending on what investors bid. Under the traditional Dutch auction all the paper was sold at one issue price set by the ministry.

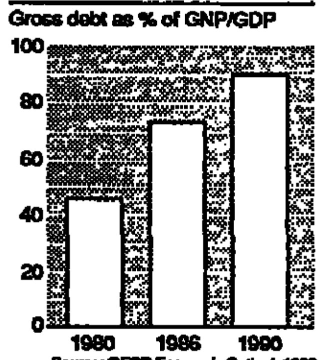
Under this "blind tender," subscribers proposed the price at which they were willing to buy but received the paper at the issue price, even if that was lower than the amount they bid.

The "counter" selling the bonds will remain open until May 15 at the latest. Investors will subscribe at price increments of 5 cents, instead of 10 cents as in the past.

The secondary market for the new bonds will be maintained by the Amsterdam Stock Exchange, as with the old "blind tender" bonds. The Finance Ministry's daily minimum price must remain above the bourse price.

Netherlands

Gross debt as % of GNP/GDP



Source: OECD Economic Outlook 1989

ABN raises payout after gain

By Laura Raun

ALGEMENE Bank Nederland, the biggest bank in The Netherlands, boosted earnings by 15 per cent in 1989 as growth in income outpaced that of expenses.

Net income climbed to Fl 701m ($363.2m) from Fl 611m, although per share earnings climbed more slowly, by 7 per cent to Fl 5.96 from Fl 5.57. ABN called 1989 a "satisfactory" year and raised the dividend modestly to Fl 2.90 a share from Fl 2.80.

Mr Robert Hazelhoff, chairman of ABN, said it was "reasonable" to expect net income in 1990 to match that of 1989. But per share earnings could fall because of more shares outstanding – due to an issue to finance the takeover of Exchange Bancorp of the US.

In a highly unusual move, ABN said its final dividend would be paid entirely in cash instead of partly in shares because of "considerable pressure" on banks' share prices.

It is the second Dutch bank to underscore the enormous uncertainties in the financial markets.

Last week Amsterdam-Rotterdam Bank declined to make a forecast for 1990 due to volatility and nervousness in the market.

In 1989 ABN's total income jumped 12 per cent to Fl 5.12bn from Fl 4.57bn the year before. Growth in commission income exceeded that of interest income, which was squeezed by tightening interest rate margins.

ABN bumped up its loan loss reserves to Fl 570m in 1989, against Fl 540m the year before. The balance sheet total edged up almost 2 per cent to Fl 173bn at the end of 1989 from Fl 170bn.

BEE reveals reshape as income climbs

By Peter Bruce in Madrid

BANCO Exterior de Espana, the state-controlled commercial bank and export credit operation, has announced a wide-ranging re-organisation following a 63 per cent increase in pre-tax group profits to Pta16.8bn ($153.3m) last year.

At the weekend Mr Francisco Luzon, BEE president, said the bank planned to launch an interest-bearing current account, to rationalise the geographical spread of two of its domestic affiliates, Banco Alicante and Banco Simeon, and to create a new foreign merchant bank, Banco Exterior Internacionale.

He said the bank, 61 per cent owned by the state, had recovered confidence last year.

The shift away from largely wholesale to more retail and investment banking follows what he called the end of a long process of balance sheet repair.

BEE has rapidly begun to close the gap between its return on total assets – 0.58 per cent – and the 1.25 per cent average for Spain's other big commercial bank. It has also dramatically reduced country risk exposure.

Unit disposal curbs profit at Rio Algom

By Robert Gibbens in Montreal

RIO ALGOM, the Canadian uranium and base metals mining group, reported lower sales and earnings for 1989, reflecting disposal of its stainless steel business and lost mining production.

Net profit was C$104.6m (US$87.9m) or C$2.30 a share, down from C$114.8m or C$2.57 in 1988. After a special C$57m charge for mine closure costs, partly offset by tax credits, final earnings were C$73.1m or C$1.58, down from C$134.4m or C$3.02 in 1988.

Net revenues were down 13.6 per cent to C$1.71bn in 1989.

The stainless steel subsidiary was sold last August to Sammi of South Korea. Lost metal production was due to a long strike last year.

● Hawker Siddeley Canada, the mining equipment group, unveiled higher 1989 results in spite of a strike at its Orenda division in Toronto.

Earnings rose to C$20.1m or C$2.38 a share before special items, up from C$17.7m or C$2.08 in 1988. Sales were unchanged at C$389m.

UPM blames falling demand for 28% plunge

By Enrique Tessieri in Helsinki

UNITED PAPER MILLS (UPM), Finland's fourth largest forest group, saw its profit before appropriations and taxes plunge by 28 per cent to FM715m ($178.8m) in 1989, from FM995m in 1988.

Turnover was up by 34 per cent to FM8.44bn. The group's operating margin also advanced by 16 per cent to FM1.58bn.

UPM blamed the drop in profitability on lower demand during the last quarter of 1989 and on higher financing costs for large investments.

Earnings per share tumbled by 38 per cent from FM29.57 to FM18.41.

Workgroup system to lift Motorola computer side

By Louise Kehoe in San Francisco

MOTOROLA, the US electronics and semiconductor manufacturer, will today introduce a range of "multipersonal" computers designed to serve workgroups of three to 32 users of networked terminals.

The move represents an aggressive push by Motorola to expand its computer business, which last year had revenues of about $300m.

The company said the Motorola computers were designed to bring many of the capabilities of technical workstations to the commercial market at affordable prices.

Prices range from $24,000 for a system that can support three to six users, up to $60,000 for one that is capable of supporting up to 32 active users.

"The multipersonal computer is the most open computer system available today," claimed Mr Edward Staiano, president and general manager of Motorola's General Systems sector.

"We are offering a computer built with non-proprietary hardware and software." This would enable users to connect the Motorola system to other machines, sharing software and data cheaply and easily, he said.

Motorola faces stiff competition in the "workgroup computing" market from established workstation manufacturers such as Sun Microsystems and Digital Equipment.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bond investors pin hopes on Tokyo

INVESTORS all over the world are looking to Tokyo for their salvation this week. A decisive increase of at least 1 percentage point in Japan's official *discount rate now seems* to be the minimum jolt which will be needed to shake investors out of the "global bond market nightmare," as Salomon Brothers called it this week.

Admittedly, the US markets have been less afflicted than those in Japan and Europe. This was *predictable* enough since, contrary to popular belief, the marginal buyers who set US bond prices today are not Japanese institutions but *domestic* retail investors.

As was apparent a month ago, when the long bond yield first hit 8.5 per cent, this group of investors was bound to start finding bonds attractive at least in the current state of inflationary *expectations*.

Nevertheless, global financial interdependence remains a reality. And better discipline among Tokyo's unexpectedly fractious and short-sighted policy makers now seems a necessary *condition for* any significant rebound in US bond prices.

Another equally essential ingredient would seem to be some gesture from the German authorities to end the panic among European bond investors.

As in the case of the squabbling Japanese bureaucrats, the need in Germany is more for *symbolic gestures than for* actual policy changes. In themselves, the Germans' moves towards a monetary unification may not have been too troubling to the financial markets. Analysts are now recognising *that their* initial panicky assessments of German unification were riddled with fallacies.

The inflationary effects of the East German "monetary overhang," for example, have been greatly exaggerated. Regardless of the exchange rate offered between the *D-Mark and the Ostmark, the* monetary expansion in Germany is likely to be more than offset by the new productive capacity added to the economy.

If, in addition, East Germans are offered only gradual currency conversion, the *net* monetary effect of the reform is *likely to increase savings and* damp down inflationary pressures in the whole economy.

The biggest potential problem of unification seems to be *not* monetary but fiscal. If currency reforms induce large-scale unemployment in East Germany, it could require substantial spending by the Bonn Government. But even this danger has probably been more *than discounted already.*

In one widely quoted analysis, for instance, Mr David Hale of Kemper Financial Services has argued that West Germany now spends DM1,000bn ($583.1bn) on public services *for* its 62m citizens. Ergo, he concludes, the budget deficit could grow by DM200bn if an additional 17m East Germans are added to the country's pop*ulation.*

From this calculation it is easy to conclude that German unification could distort worldwide financial markets in the 1990s almost as much as Reaganomics did in the 1980s, *with its $200bn US budget deficit.*

The logic of such scare stories seems badly flawed. The idea that Bonn might have to spend an extra DM200bn annually on the East Germans, for instance, ignores *completely* the taxes which the new citizens would pay for the services they receive.

The German Government's own claim that unification would raise its deficit by between DM15bn and DM20bn seems more plausible. *But* the mere *fact* that fiscal night*mares like the one proposed* by Mr Hale are taken more seriously by the markets than the official assessment highlights one genuine justification for the German bond panic.

It was the chaotic presenta*tion by the German* Government of its unification policies which really *spread* financial terror last month.

Like the fiasco last year over the German withholding tax, the monetary unification debate has underlined the Germans' indifference to market expectation and even financial stability.

In itself this indifference undercuts hopes that European bond markets might one day become a *liquid* and *attractive* alternative to US dollar markets for international investors. This in turn implies that big risk and illiquidity premiums will continue to be built into continental bond yields until the European authorities become more aware of investors' sensitivities.

It also suggests that one of the ultimate reassurances perceived by bond investors in the US market simply does not exist in Europe. In the US, the Federal Reserve Board is expected to react to signals from the anti-inflationary "vigilantes" in the bond market. In *Germany, by contrast*, the bond holders' anxieties are treated with undisguised contempt.

This points to the really distressing interpretation of the "global bond market night*mare*." *What* bond investors are realising, if only subconsciously, is that they no longer have any powerful protectors in the great central banks and finance ministries of the world.

German unification and Jap*anese monetary laxity may or* may not cause inflation. But whether or not conditions in these countries are inflationary at present matters less than what might happen in the coming years. The recent behaviour of the German and the Japanese authorities suggests strongly *that they do not care* about inflation and inflationary expectation.

This implies that the Bundesbank and the Japanese Ministry of Finance can no longer be relied on to act as the anchors of non-inflationary stability for the world economy.

If this is true, the worldwide disinflationary trend of the 1980s is likely to be replaced by a new type of inflation in the present decade. In fact, the tide probably began to turn as early as 1987 and 1988, when the world monetary authorities took an apparently concerted and unanimous decision to hold up the dollar.

From that point on, inflation *and interest rates in Germany* and Japan were bound to converge upwards towards the US level. At the same time the disciplining effects of foreign *financial* pressures on *US* economic policies began to evaporate.

As a result bond investors around the world now seem to have only one pillar of support left for their anti-inflationary *hopes – the integrity of the* US Federal Reserve Board, the Bush White House and the US Congress.

Need more be said? The global bond nightmare may well have been exaggerated as a short-term response to recent events. In retrospect, however, it may not look too surprising.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.25	8.25	8.19	9.92	8.00
Three-month Treasury bills	8.00	7.92	7.92	9.11	7.26
Six-month Treasury bills	8.16	8.08	8.05	9.37	7.18
Three-month prime CDs	8.30	8.25	8.20	10.35	8.18
30-day Commercial Paper	8.18	8.20	8.20	9.95	8.05
90-day Commercial Paper	8.13	8.13	8.19	10.05	8.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97[illegible]	[illegible]	8.56	8.55	8.42
20-year Treasury	105[illegible]	[illegible]	8.69	8.67	8.62
30-year Treasury	99½	[illegible]	8.54	8.55	8.51

Money supply: In the week ended February 21, M1 rose by $10.7bn to $800.6bn.

Police to probe DG Bank deals

AN investigation into the *DM6bn* ($3.5bn) of disputed bond deals between Deutsche Genossenschaftsbank of West Germany and nine French banks has been taken over by German federal police, writes Andrew Fisher from Frank*furt*.

The move was made at the request of the Frankfurt prosecutors' office, which has been investigating Mr Friedrich Steil, the chief bond trader fired by *DG Bank* over the affair, and "persons unknown" for alleged fraud and breach of trust.

The dispute has blown up into an international row, with the French banks stating that *DG Bank was obliged to buy* back the bonds, which had been sold on both a cash and forward basis. DG Bank said it had made no commitment.

UK GILTS

Sentiment ebbs as pressures pile up

THE GILT-EDGED securities market has begun to resemble a punch-drunk boxer. It reels from one encounter to the next, always heading in the *same direction – down.*

The market in long-dated gilts, the bell-wether of sentiment, hit 11.5 per cent on Friday, using the 11¾ per cent Treasury 2003/07 as a guide. This is the highest yield level for the market in that stock since the spring of 1984 and is *indicative* of the black mood prevailing.

The analytical brotherhood – a little less fraternal than usual after the results of the Greenwich Associates' latest survey of their performance – are *now looking for* 12 per cent.

But, as one analyst noted on Friday, at 11 per cent the market was looking for 11.5 per cent – so what makes 12 per cent so special?

Since the middle of January the long-end has been progressively weakening. This has generated little support and, as yet, there has been no sign of any *interest from long-term* investors significant enough to change the direction of the market.

The unexceptional conclusion to draw from this must be that a level of long-term yields *has yet to be reached* which clears transactions in a steady, let alone improving, state.

Sentiment was knocked last week by multiple pressures: the poll tax row which has produced a grim political situation and a deteriorating outlook for inflation; some less than wonderful trade figures for January; an *estimate for M0 growth* in February of about 6.5 per cent; sterling weakness which drew Bank of England intervention; and the Rover car group's cave in over the 37-hour week.

On top of this, gilts had to contend with the yo-yo bond markets of West Germany and Japan.

This week, with a dearth of data, international developments and sterling may provide the guide to the market. But traders should not forget *last week's data, especially for* M0. Narrow money grew at probably its highest annual rate for the financial year in February. If M0 has any worth as an indicator of nominal demand then its persistently *strong growth should be deeply* worrying to the Treasury.

The Treasury's comments on M0, at the time of November's Autumn Statement, bear *repeating.*

It said: "M0 growth has fallen over the past year in response to the rise in interest rates last year [1988], and is now around the top of its 1 to 5 per cent target range. It is *expected to continue to* fall during the rest of the financial year, reflecting the rise in interest rates in 1989."

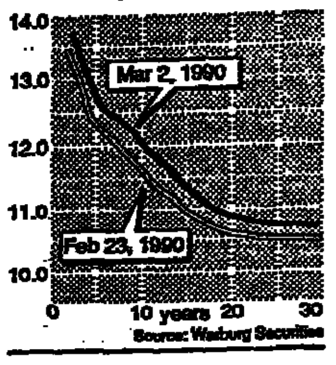
As hostages to fortune go, the above is quite good. Every*thing* the Treasury so confidently predicted has failed to happen. The stage is now set for M0 to enter 1990-91 not only still outside the 1 to 5 per cent *target* range but well *outside* the 0 to 4 per cent range the Treasury indicated last March it would introduce in the coming financial year.

On a slightly more optimistic note it appears that the three-*and six-month periods* annualised are now showing lower rates of growth. The three-month measure is growing at about 3.6 per cent and the six-month measure at about 4.3 per cent.

But care should be taken here. Last June the six-month growth rate – which is the one the Treasury watches for turning points – was growing at 3.8 per cent and in July at 4.7 per cent.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

With the pound weakening and M0 growing so rapidly, at a different point in the economic cycle a rise in interest rates could be expected. Such a possibility does not garner much support in the City.

It is becoming increasingly *difficult to see how Mr Major,* the UK Chancellor, will crack the UK's inflation problem. The poll tax and other administered price rises will push Britain's annual inflation rate to about 8.5 per cent. It will fall thereafter, but by the next wage round in the autumn it *could still be about 8* per cent, although on a declining trend.

The unions' victory over Rover for a 37-hour week does not help the fight against inflation. If this deal permeates *industry* then it will represent a 5 per cent cut in hours. This means, all other things being equal, that productivity will have to rise by a similar amount to keep unit costs constant.

If the Rover deal shows anything it is that the labour market is still very tight. Although many have been forecasting a rise in unemployment it is taking *a long* time to be realised. The longer it takes, the less likely it is that wage bargainers will moderate their demands.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8⅞ 93	150	98¼	0	9.57
ABN 9¼ 94	200	98⅝	0	9.46
AETNA LIFE & CAS 7⅞ 16	200	95¼	0	8.18
AWFC O/S FIN 11¼ 94	100	100⅞	0	11.47
ALBERTA PROVINCE 7⅞ 92	750	97⅞	[illegible]	9.13
ALBERTA PROVINCE 9⅛ 95	600	100¼	[illegible]	9.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 9 98	200	97	[illegible]	9.55
QUEBEC PROV 13 90	150	102	[illegible]	9.46
QUEENSLAND GOVT 10¼ 93	200	102⅝	[illegible]	9.59
RALSTON PURINA 11¼ 95	150	105¼	0	10.35
REYNOLDS (RJ) 10¼ 93	100	88¼	[illegible]	14.71
RICHARDSON-VICKS 11¼ 95	125	101⅛	0	10.85
ROCKWELL INT 9⅞ 90	200	100	[illegible]	9.71
SAINSBURY 9¼ 96	150	97¼	0	9.67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
TOYO TST & BANKING 1⅛ 02	100	76¼	[illegible]	4.27
UTD BISCUITS 5¼ 03 PREF	110	107¼	[illegible]	0.03
YEN STRAIGHTS				
ALLIED-SIGNAL 6¼ 93	20.0BN	98	[illegible]	7.34
AUSTRIA 4¼ 94	30.0BN	92¼	[illegible]	7.10
AVON CAPITAL 6⅛ 91	26.0BN	97⅞	0	8.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MARCH 02

UK COMPANY NEWS

French bank looks likely to win hand of Gartmore

By Nikki Tait

SPECULATION IS mounting that Banque Indosuez, the French investment bank, will emerge as the successful purchaser of Gartmore, the UK fund management arm of the ailing British & Commonwealth group.

The sale of Gartmore – which B&C first formally put up for auction in early November – has yet to be completed. However, it seems likely that a deal will be finalised and the purchaser announced either this week or, at the very latest, by next week.

B&C yesterday declined to make any formal comment on the identity of any likely buyers, saying only that no decision about the sale had yet been made.

Nonetheless, there seems no doubt that Indosuez is both among the short-listed candidates to buy the business and a leading contender.

In November, it was suggested that Gartmore, which at that stage had funds under management of £6.4bn, might raise around £130m for B&C.

Indosuez, the ninth largest bank in France, was the unsuccessful suitor for Morgan Grenfell, the merchant bank which was finally acquired by Deutsche Bank last year. In the process, however, the French institution made a handy £30m profit on its briefly-held 14.9 per cent stake in Morgan.

Its activities are wide-ranging – from investment banking to equity trading, where it includes ownership of London broker, WI Carr. Indosuez's asset management side runs various mutual funds.

Meanwhile, B&C confirmed yesterday that Mr John Gunn, its chairman, had seen his remuneration drop from £740,700 in 1988 to nearer £300,000 in 1989.

That was partly because an element of the 1988 salary – around £250,000 – was made up of bonuses. However, Mr Gunn has also voluntarily taken a cut in his base pay, which originally amounted to around £500,000. In 1987, Mr Gunn made £988,847.

B&C – which once planned to create a diversified financial services group but ran into problems with some acquisitions and high interest rates – has been making a series of asset disposals in an effort to cut borrowings.

Profit figures for 1989, due to be released in April, are expected to show a very sharp reduction on the previous year.

Fraser lawyers ponder action over DTI report

By Nikki Tait

LAWYERS for House of Fraser, the stores group which was taken over by the Al-Fayed brothers in 1985, have spent the weekend examining what possible action the company might take in the light of the impending publication of a Department of Trade and Industry report into the acquisition.

A spokesman said that amongst the options being considered was the possibility of applying for a judicial reivew or seeking some other form of injunction which would prevent publication.

However, it was stressed that these were merely options being looked at, and that the group could, alternatively, decide to let publication proceed without raising legal hurdles.

Lonrho, which has waged a five-year battle against the Al-Fayeds as a result of the takeover, has already indicated that it intends to take legal action against the brothers. Mr Nicholas Ridley, the Trade Secretary, announced last week that there was insufficient evidence for any criminal convictions on the matter.

Markheath's speedy release of Camford bid document

By Nikki Tait

Markheath Securities, the UK investment vehicle of Australia-based Adelaide Steamship, has followed up its £63.8m cash bid for Camford Engineering with a speedy release of its formal offer document.

The document, which went to shareholders in the motor components manufacturer at the weekend, repeats Markheath's claims that Camford has not "achieved the necessary strategic refocussing of its businesses".

"Camford is part of the European passenger vehicle building industry. The internationalisation of its market place has been underway for years but the UK sector has continued to dominate Camford's activities," it writes. Markheath also claims that its target has failed to achieve "active and efficient management of its assets."

Markheath already holds a 29.9 per cent stake in Camford.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Green (Ernest), Intereurope Technology Services, Jourdan (Thomas), NESCO Investments.

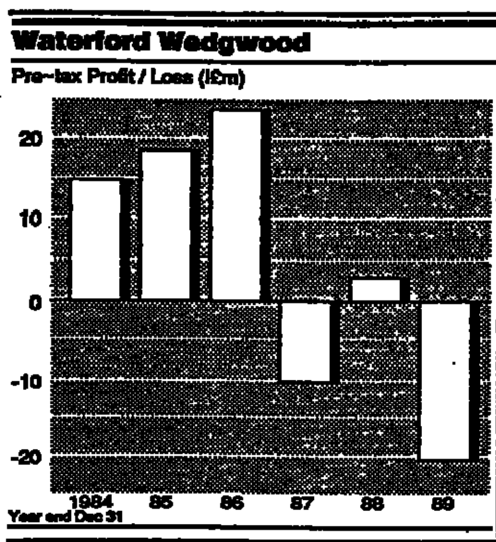
Finals- Capita, City & Commercial InvestmentTrust, Consolidated Venture Trust, Cresta, Persimmon, Ransomes, Serco, Somit, Sunset & Vine, Unidare.

FUTURE DATES

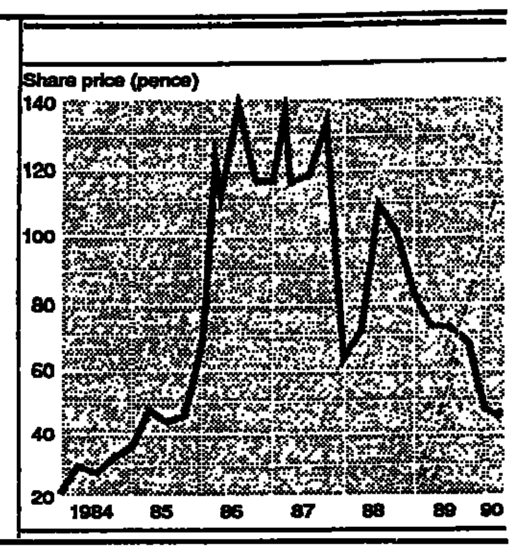
Interims-	
Astra AB	May 16
Chelsea Man	Mar. 6
Svenska Cellulosa AB SCA	May 29
United Scientific Hldgs.	May 30
Finals-	
Bank of Ireland	May 17
Booker	Mar. 19
Britannic Assurance	Mar. 21
British Aerospace	Mar. 14
British Gas	May 31
British Telecom	May 24
British Vita	Mar. 12
Canning (W)	Mar. 19
Clarke (T)	Mar. 15
Wimpey (George)	Mar. 13

Crystal gazing into the future of a shattered empire

Kieran Cooke on the beginning of a new act in the Waterford Wedgwood saga



Tony O'Reilly: intends to build up brands and finally establish the company on a sound financial footing.



MR TONY O'Reilly has an appetite for brand names similar to a party of Japanese shoppers let lose in Paris for the weekend.

Mr O'Reilly, chief executive of Heinz, chairman of the Dublin-based Independent Newspapers Group and now power behind the scenes at the Waterford Wedgwood company, believes that there are no more than 250 brands worldwide that are identified with quality and service.

Two of them are Waterford crystal and Wedgwood china. Last Friday Fitzwilton, an investment company also based in Dublin and headed by Mr O'Reilly, in partnership with Morgan Stanley, the US investment bank, announced plans to take a 29.9 per cent stake in Waterford Wedgwood for I£80m (£75m). Another I£20m is to be raised by a Waterford Wedgwood rights issue.

So begins a new act in the sad saga of Waterford Wedgwood, two names which are symbols of craftsmanship and excellence, yet which also have become examples of English – and Irish – industrial decline.

"The amazing thing is that despite all the recent problems at the group, both Waterford and Wedgwood have retained their cachet in the marketplace", Mr O'Reilly said. "We now intend to build up those brands and finally establish this company on a sound financial footing."

Shareholders are entitled to remian sceptical. Over the past five years new financial structures and changes at the group have brought nothing but trouble.

Wedgwood shareholders, in particular, will take considerable convincing about better times ahead. Waterford bought Wedgwood for I£260m in 1986.

Since then, Wedgwood's impressive profits growth has been swallowed up by losses in the Waterford crystal division. Last year Wedgwood made a profit of I£16.3m while Waterford lost I£21.3m. The result was struck after taking account of interest payments on a group debt now at I£125m but which at one stage reached nearly I£150m.

Management, particularly in relation to the group's crystal division, has been little short of disastrous. In 1987 a I£50m redundancy programme at the Waterford plant went badly wrong. 750 redundancies were planned. In the event, more than 1,000 took what were generally considered to be overly generous redundancy packages.

Many highly skilled workers left. Serious production problems followed and early last year it was announced that various "accounting errors" in the crystal division had led to a considerable over estimate of projected profits. A boardroom shake-up followed.

Costs at Waterford have been high. Wages, in particular, have risen sharply in part to keep pace with high Irish tax rates.

The scale of Waterford Wedgwood's difficulties means that the Fitzwilton/Morgan Stanley consortium – which also includes some very rich friends of Mr O'Reilly including Mrs Ann Getty of the Getty oil family and Mr John Kluge of the US Metromedia group – was able to pick up its stake at a knock down price.

This is Morgan Stanley's first big investment outside the US. Mr Robert Niehaus, a bank managing director who will be one of four new directors on the Waterford Wedgwood board, said: "The low price reflects the risk in taking this on".

The consortium paid 37.5p per share for its stake in Waterford Wedgwood, putting a total value on the group of I£265m, only I£5m more than the 1986 price paid for Wedgwood alone.

When Mr O'Reilly was last reported to be stalking the group 18 months ago the share price was 130p. Management said it had little alternative but to accept the O'Reilly-led bail-out.

There were few other serious offers available. Mr Paddy Bryne, chief executive, said: "We can now turn away from the problems of debt servicing to exclusively concentrate on running the business".

Quite how the management proposes to get the group back on the rails is unclear. Mr O'Reilly, one of the golden boys of present day marketing, says there is opportunity for far greater sales, particulary in the US and the Far East. Mr Howard Kilroy, the chairman, says that new productivity and wage agreements with the workforce are essential, pointedly adding that crystal manufacturing did not necessarily have to remain in Ireland.

There is a distinct Irish American twang about the new line-up at Waterford Wedgwood. Mr Donald Brennan, an Irish American, is an old friend of Mr O'Reilly. Morgan Stanley has been involved with Heinz for some time: it has also participated in a succession of lucrative deals in the US for the Dublin based Smurfit paper and packaing group. Mr Kilroy is a top Smurfit man. Mr Kevin McGoran, head of Fitzwilton, is ex-Smurfit.

In Dublin there is satisfaction that Waterford, still among the largest manufacturing employers in the country, has fallen into hands which are at least partially Irish.

Mr Charles Haughey, the Irish Prime Minister, once described Waterford crystal as one of the finest products made by man anywhere in the world. "Cool, clear and scintillating, yet with no feelings of coldness", enthused Mr Haughey.

It is now up to Mr O'Reilly and the new look team at Waterford Wedgwood to produce a scintillating performance. For Mr O'Reilly, former star of the Irish rugby union team, it could be the most difficult game of his career.

Hampden edges ahead to £1.5m

Hampden Homecare, the Northern Ireland-based home improvement store operator, managed small advances in pre-tax profits and turnover in 1989.

Profits for this USM-quoted company were £1.5m (£1.41m), although this was because of increased net interest receivable. Turnover was up to £20.71m (£20.59m).

Earnings worked through down at 7.6p (9.11p), but the final dividend is lifted to 1.6p (1.5p) for a total of 2.1p (2p).

Inoco in the red

Continuing high interest rates caused a sharp decline into losses at Inoco, the oil and property development company in 1989 and there is no dividend, against 0.225p paid in 1988.

At the pre-tax level, this USM-quoted concern fell from profits of £2.29m to losses of £2.66m.

FT Share Service

The following securities were added to the Share Information Service:

Brit. Empire Sec. & Gen. Tst. Wrrnts. (Section: Investment Trusts)

East Surrey Water (Water)

Gartmore Emerging Pacific Inv. Tst. (Investment Trusts)

Goldsmiths Group (Drapery & Stores)

Grosvenor Development Capital (Finance Land)

Kunick 8¼p Red. Pref. (Leisure)

London & New York Conv. Tst. (Investment Trusts)

Plateau Mining (Mines/Misc.)

Surrey Group (Leisure)

FINANCIAL TIMES STOCK INDICES

	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 23	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.60	78.90	79.75	80.39	80.26	80.15	89.29	78.60	127.4	49.18
Fixed Interest	88.64	88.69	89.31	89.41	89.35	89.20	99.59	88.64	105.4	50.53
Ordinary	1774.2	1764.9	1781.4	1781.5	1776.1	1762.3	2008.6	1447.8	2008.6	49.4
Gold Mines	283.5	287.6	287.7	284.7	284.2	295.6	378.5	154.7	734.7	43.5
FT-Act All Share	1121.03	1114.18	1122.26	1121.66	1118.85	1114.95	1226.83	921.22	1238.57	61.92
FT-SE 100	2254.8	2238.4	2255.4	2254.8	2249.3	2236.7	2463.7	1782.8	2463.7	986.9

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY (continued)
[illegible]

GERMANY
[illegible]

ITALY (continued)
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA (continued)
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices March 2

[illegible]

MONTREAL
Closing prices March 2

[illegible]

Total Sales 6,291,362 shares.

INDICES

NEW YORK

DOW JONES	Mar 2	Mar 1	Feb 28	Feb 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2669.36	2636.59	2627.25	2617.12	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.89	91.00	91.19	91.18	94.15 (2/8/89)	87.95 (25/3/89)	—	—
Transport	1145.98	1133.89	1129.09	1116.29	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.65	219.13	220.38	218.88	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2669.82 (2655.63) Low 2630.18 (2607.88)

STANDARD AND POOR'S

	Mar 2	Mar 1	Feb 28	Feb 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	335.54	332.74	331.89	330.26	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	386.25	383.82	382.02	380.42	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.11	28.90	28.84	28.64	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.97	183.52	183.07	182.16	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	356.12	354.04	352.90	351.40	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	431.02	427.21	425.83	422.61	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 23	Feb 16	Feb 9	year ago (approx.)
Dow Industrial Div. Yield	4.26	4.14	4.09	3.75

	Feb 28	Feb 21	Feb 14	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.11	3.25
S & P Indl. P/E ratio	14.47	14.32	14.21	12.68

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Texas Utilities	4,110,700	34¼	+ ⅛
Philip Morris	2,630,600	36⅝	+ ⅞
Gen Motors	2,471,300	46	+ 1
Philadel Elect	2,297,200	17⅜	– ⅛
Baxter Intl	2,079,000	24⅞	– ⅛
Pepsico	1,837,300	57	– ⅛
Global Marine	1,836,500	4⅞	+ ⅛
Philips Pet	1,701,200	26	+ ½
Gen Electric	1,684,600	62⅞	+ ⅛
Nat Semicondctrs	1,435,200	7⅞	+ ⅛

TRADING ACTIVITY

† Volume Millions	Mar 2	Mar 1	Feb 28
New York	164.330	157.930	184.410
Amex	14.964	14.446	13.159
NASDAQ	(u)	134.245	129.395
Issues Traded	1,960	1,955	1,968
Rises	979	837	929
Falls	476	638	566
Unchanged	505	480	473
New Highs	28	30	25
New Lows	24	36	47

CANADA
TORONTO

	Mar 2	Mar 1	Feb 28	Feb 27	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3133.53	3094.08	3010.87	2946.90	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3707.42	3700.15	3686.70	3660.28	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1896.00	1888.32	1880.99	1867.02	2069.60 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 2	Mar 1	Feb 28	Feb 27	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1568.2	1570.5	1575.1	1578.4	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	793.3	793.5	794.6	790.7	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	(u)	662.04	662.10	655.51	663.28 (19/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5753.93	5727.13	5679.33	5619.40	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	364.92	362.89	365.96	367.35	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	648.4	650.3	654.2	651.6	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	496.85	497.79	497.51	494.60	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1860.48	1832.44	1849.68	1825.38	2006.42 (4/1/90)	1525.36 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	757.55	753.79	756.88	752.57	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2208.2	2197.4	2206.8	2194.9	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1818.25	1787.87	1809.92	1804.32	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2937.93	2933.13	2951.98	2932.62	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1798.86	1797.44	1796.27	1797.03	1893.18 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	659.79	654.50	655.71	651.77	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	34057.56	33829.58	34591.99	33897.95	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2541.97	2536.81	2565.54	2500.04	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4153.38	4100.36	4090.79	3963.58	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	603.64	600.20	603.38	592.91	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	245.9	242.9	244.8	244.1	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	188.7	186.3	187.8	187.3	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	800.85	799.80	793.93	796.94	816.41 (16/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1020.32	1016.21	1015.95	1021.85	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	429.46	427.70	429.29	424.77	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1877.0	1885.0	1919.0	1891.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2974.0	2982.0	3010.0	2974.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	884.07	(c)	861.59	859.83	1007.80 (3/4/89)	833.82 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	271.38	271.51	275.43	272.13	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1163.80	1166.60	1175.10	1169.00	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	754.0	749.4	756.0	760.0	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11456.99	11419.85	11661.73	11451.28	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	811.24	812.94	813.67	804.82	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	510.7	515.9	510.6	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 24: Taiwan Weighted Price: 11658.66 Korea Comp Ex. 845.25
& Subject to official recalculation.
&Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday March 2 1990

	Stocks Traded	Closing Prices	Change on day
Hitachi	10.6m	1,570	+30
Tokyo Steel	7.9m	8,780	+240
Daiken	7.7m	1,270	+60
Nippon Steel	7.3m	662	-3
Tokyo Electron	7.0m	4,090	+210
Makita	6.4m	3,010	+50
Toyo Rubber	6.2m	1,650	+70
Nippon Valqua	5.8m	1,530	+10
Kyocera	5.7m	7,410	+140
Fanuc	5.6m	8,890	+340

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng:031-220 4924

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Far East (Pacific)	5¼	113.8	115.4	122.4	0.34	41357
Income	5¼	58.86	58.86xd	62.48	4.66	41358
European (z)	5¼	61.26	62.04xd	65.85	0.89	41359
Nth American (z)	5¼	35.18	35.18	37.34	1.40	41360
Intl Growth	5¼	59.64	60.81	64.55	0.78	41361
Gwth & Recovery	5¼	49.53	49.53	52.57	3.28	41362
Intl Income	5¼	49.43	50.00xd	53.07	8.05	40966
High Yield	5¼	48.66	49.26	52.29	7.29	40966
Charities	5¼	88.90	90.11xd	95.65	6.79	40963
Japan	5¼	44.64	44.95xd	47.71	–	47589

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
SE Asia	6	53.24	53.69	57.36	2.77	40990
UK Growth	6	64.76	66.31	70.92	2.90	46355
UK High Income	6	37.01	37.92	40.56	6.09	46356

1 White Hart Yd, London Bridge, SE1 1NX 01-407 5966

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Intl Recovery Acc F	5	43.84	43.84	49.28	1.42	46357
Intl Recovery Inc F	5	31.58	31.58	35.50	1.42	46358

Mayflower Management Co Ltd (1200)F
No. 1 London Bridge, London, SE1 9QU 0303 862598

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Income	5	325.2	329.2xd	350.2	5.13	40913
General	5	254.9	257.9xd	274.4	3.75	40914
International	5	141.6	141.6xd	150.6	2.21	40915
Global Inc	5	48.94	49.42xd	52.58	4.85	40916

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Health Fund	5½	45.22	45.22	49.27	0.34	40917

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 01-280 2060

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American Growth	5	124.7	124.8	133.2	0.00	40918
(Accum Units)	5	132.9	133.1	142.0	0.00	40919
American Income	5	41.87	41.94	44.74	6.86	40920
(Accum Units)	5	52.79	52.89	56.41	6.86	40921
American Sm Cos	5	53.83	54.51	58.15	0.00	40922
(Accum Units)	5	54.57	55.27	58.95	0.00	40923
British Blue Chip	5	53.01	53.35	56.91	3.52	40924
(Accum Units)	5	56.51	56.87	60.66	3.52	40925
European Growth	5	182.3	182.3	194.3	0.08	40926
(Accum Units)	5	193.4	193.4	206.2	0.08	40927
European Income	5	77.54	77.54	82.58	3.91	40928
(Accum Units)	5	88.82	88.82	94.60	3.91	40929
General	5	347.2	351.8xd	375.3	2.81	40932
(Accum Units)	5	612.5	620.8xd	662.2	2.81	40933
Gilt	5	77.25	77.25	81.40	10.48	40934
(Accum Units)	5	111.4	111.4	117.4	10.48	40935
High Income	5	48.20	48.89xd	52.15	6.71	40938
(Accum Units)	5	54.47	55.25xd	58.93	6.71	40939
High Interest	5	38.81	38.81	41.95	10.91	40940
(Accum Units)	5	47.59	47.59	50.71	10.91	40941
Income	5	110.3	111.5xd	119.0	4.93	40942
(Accum Units)	5	141.1	142.9xd	152.4	4.93	40943
International	5	297.4	297.4	316.6	0.60	40944
(Accum Units)	5	384.5	384.5	409.5	0.60	40945
Japan	5	194.7	194.7	206.9	0.00	40946
(Accum Units)	5	199.8	199.8	212.4	0.00	40947
Pacific	5	56.20	57.27	61.09	1.21	40948
(Accum Units)	5	57.39	58.40	62.39	1.21	40949
Portfolio	5	54.40	54.50	58.14	2.83	40936
(Accum Units)	5	56.05	56.16	59.91	2.83	40937
Recovery	5	244.4	244.4	260.7	2.73	40950
(Accum Units)	5	279.5	279.5	298.2	2.73	40951
UK Smaller Co's	5	45.46	45.46xd	48.50	1.42	40952
(Accum Units)	5	47.76	47.76xd	50.95	1.42	40953
Institutional Funds						
UK Equity Feb 28 F	2	343.8	350.8xd	389.8	3.94	40930
(Accum Units) F	2	581.7	593.7xd	608.9	3.94	40931
Amer Sm Cos Equity	2	50.08	51.00	52.31	0.00	46428
(Accum Units)	2	50.48	51.41	52.73	0.00	46429

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5¼	29.84	30.00	32.00	1.59	41072
(Accum Units) ♥	5¼	31.39	31.56	33.66	1.59	41073
Australian ♥	5¼	172.1	172.1xd	184.6	1.94	41074
(Accum Units) ♥	5¼	193.0	193.0	207.0	1.94	41075
Conscience	5¼	48.36	49.38	52.69	1.48	41076
(Accum Units)	5¼	49.98	51.02	54.45	1.48	41077
European	5¼	148.6	150.1	160.1	0.97	41078
(Accum Units)	5¼	156.2	157.8	168.3	0.97	41079
Extra Income	5¼	65.57	66.64	71.12	7.23	41080
(Accum Units)	5¼	82.79	84.15	89.80	7.23	41081
Far East Gth Acc ♥	5¼	140.3	140.3	149.9	0.21	41082
Gilt & F.I.	5¼	47.04	47.04xd	49.79	10.04	41083
(Accum Units)	5¼	92.34	92.34	97.75	10.04	41084
Gold ♥	5¼	43.81	44.27	47.60	0.00	41085
(Accum Units) ♥	5¼	46.87	47.37	50.93	0.00	41086
Income	5¼	47.44	48.18	51.39	5.91	41087
(Accum Units)	5¼	122.5	124.5	132.7	5.91	41088
Intnl	5¼	27.65	27.86	29.89	0.37	41089
(Accum Units)	5¼	39.05	39.35	42.22	0.37	41090
Jap Smaller Cos ♥	5¼	366.9	371.2	395.9	0.00	41091
Sing & Malaysian ♥	5¼	132.0	135.3	145.0	0.00	41092
(Accum Units) ♥	5¼	137.3	140.7	150.8	0.00	41093
Smaller Co's	5¼	32.71	32.71	35.17	1.25	41094
(Accum Units)	5¼	35.80	35.80	38.49	1.25	41095
Special Sits	5¼	28.44	28.44	30.58	0.85	41096
(Accum Units)	5¼	30.70	30.70	33.01	0.85	41097
Tokyo ♥	5¼	84.21	84.21	89.82	0.00	41098
(Accum Units)	5¼	85.06	85.06	90.73	0.00	41099
UK Equity ♥	5¼	138.3	140.4	149.7	3.05	41100
(Accum Units)	5¼	234.4	238.0	253.8	3.05	41101
US Smaller Cos ♥	5¼	53.14	54.05	57.80	0.00	41102

National Provident Inv Mgrs Ltd (1400)F
48 Gracechurch St, EC3P 3HH 01-623 4200

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
NPI American Acc ♥	5	70.81	70.81	75.26	1.27	41103
NPI American Dist ♥	5	67.10	67.10	71.32	1.27	46660
NPI European Acc	5	82.56	82.56	87.52	0.29	41104
NPI European Dist	5	81.29	81.29	86.17	0.29	46661
NPI Far East Acc ♥	5	125.1	125.4	133.4	0.55	41105
NPI Far East Dist ♥	5	124.6	124.8xd	132.8	0.6	46662
NPI O'seas Acc	5	932.8	934.0	993.6	0.95	41107
NPI O'seas Dist	5	735.7	736.6xd	783.6	0.95	41106
NPI UK Acc	5	469.0	473.5	503.7	3.21	41109
NPI UK Dist	5	268.3	270.9	288.2	3.21	41108
NPI W'wide Acc	5	82.07	82.73	88.01	0.61	41110
NPI W'wide Dist	5	79.12	79.76	84.85	0.61	46663

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 01-407 4404

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Newton Income	6	141.3	144.7	153.9	4.61	41593
Newton Global	6	230.8	236.0	251.1	2.12	41594

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682294

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Master Trust	6	92.22	92.22xd	98.11	3.08	46482
UK Equity†	6	93.15	94.73xd	100.78	3.89	41111
UK Equity Income	6	94.04	95.73	101.84	5.04	46435
UK Smaller Co's	6	87.75	91.31	97.14	2.83	46436
UK Equity Growth	6	90.14	91.93	97.80	3.12	46434
UK Index Tracking ♦ F	6	96.47	97.28xd	103.49	4.36	47662
International	6	157.59	159.42	169.60	0.91	41112
European	6	137.32	139.52xd	148.43	0.21	41114
Nth American	6	107.22	108.22	115.13	2.47	41115
Nth Amer Smlr Cos	6	84.96	86.52	92.04	0.22	47663
Japanese	6	85.49	86.65	92.18	0.00	47005
Pacific	6	135.74	137.27	146.03	1.40	41113
South East Asian	6	106.05	108.01	114.90	2.88	46433
International Bond	6	92.19	92.30xd	98.19	8.81	46431
Gilt & Convertible	6	89.21	89.61	95.33	10.48	46430

PK English Trust (Inv Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

Unit Name	Init chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American*	4	59.99	60.43	63.13	0.0	41119
Far Eastern*	4	178.33	182.67	189.98	0.3	46478
Growth†	4	183.23	185.54	196.63	9.2	41117
Income†	4	139.91	141.66	150.94	5.4	41118
Scandinavian†	4	75.30	77.42	80.52	0.3	41120

† Dealing Day: Wed, *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	49.08	50.04xd	53.36	1.01	41506
(Accum Units)	5	50.52	51.49xd	54.92	1.01	41507
European Opps	5	72.45	72.79	77.57	0.00	41508
(Accum Units)	5	72.85	73.13	78.00	0.00	46366
Far Eastern Opps	5	136.25	136.38	145.46	0.00	41509
(Accum Units)	5	137.12	137.25	146.39	0.00	41510
Golden Opps	5	44.55	44.80	47.78	0.00	41511
(Accum Units)	5	45.82	46.08	49.15	0.00	46367
Intl Hi-Yield	5	58.26	58.68	62.59	4.40	41512
(Accum Units)	5	63.24	63.71	67.94	4.40	46368
Sanyo Japan Tst	5	68.28	68.28	72.82	0.00	41513
(Accum Units)	5	68.28	68.28	72.82	0.00	41514
Kangaroo	5	51.46	51.46	53.55	1.54	41515
(Accum Units)	5	51.64	51.64	53.74	1.54	46369
Oriental Income	5	34.11	34.17	36.43	5.14	41516
(Accum Units)	5	38.23	38.30	40.84	5.14	41517
Pacific Technology	5	60.29	60.29	64.24	0.00	41518
(Accum Units)	5	60.72	60.72	64.76	0.00	41519
Tiger	5	149.66	149.66	159.63	0.69	41520
(Accum Units)	5	152.00	152.00	162.12	0.69	41521
UK Hi-Yield	5	42.81	42.81	45.66	5.01	41522
(Accum Units)	5	48.95	48.95	52.20	5.01	46582
UK Opps	5	54.99	57.18xd	61.14	1.51	41523
(Accum Units)	5	59.40	62.22xd	66.55	1.51	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SW 091 415 3034						
Balanced Portfolio	6	91.20	92.70	98.62	4.00	–
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Grth	5¼	45.33	45.33xd	48.35	0	41525
TR Eur Sp Sits Acc	5¼	41.05	41.05	43.65	0	41526
TR Eur Sp Sits Inc	5¼	40.25	40.25	42.80	0	41527
TR General Growth	5¼	72.97	72.97	77.62	2.83	41528
TR Global Tech	5¼	71.52	71.52	76.28	0	41529
TR Income Growth	5¼	85.28	85.78	91.25	4.51	41530
TR Income Monthly	5¼	53.69	53.69	57.11	7.05	41531
TR Japan Growth	5¼	90.64	90.64	96.14	0	41532
TR Overseas Growth	5¼	66.56	66.56	70.97	0	41533
TR Smaller Cos	5¼	79.45	79.45	84.52	5.06	41534
TR Special Ops	5¼	90.23	90.23xd	95.98	2.91	41535
TR Mgd Eq Plus Acc	5¼	33.68	33.68	35.82	2.30	41536
TR Mgd Eq Plus Inc	5¼	31.59	31.59	33.60	2.30	41537
TR Wwide Sp Sit Acc	5¼	36.54	36.54	38.96	0	41538
TR Wwide Sp Sit Inc	5¼	36.50	36.50xd	38.92	0	41539
TR Pension Portfolio						
TR American Grth §	6	26.88	27.24	28.88	0	46477
TR Eur Sp Sits §	6	32.24	32.56	34.52	0	46478

	Bid Price	Offer Price	Yield Gross	City-line
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.6	144.2	3.56	40372
Stewart Ivory & Co Ltd				
Saints PPP Feb 14	258.6	272.3	–	41422
Closed to new investors				
Thornton Unit Managers Ltd				
Managed Exempt Mar 1	99.30	105.14	3.90	46975
(Accum Units)	100.49	106.79	3.90	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1066	1080	167	47801
TR Exempt Nth Amer	938	952	343	47802
TR Exempt Pac Basin	944	956	0	47803

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Mngt. H & G Inv Mngt Ltd)				
AA Friendly Sy Feb 9	–	173.3	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	301.0	316.9	–	41608
Equity Ser. 1	129.3	136.2	–	41609
Prop. Acc. Ser 2	464.0	488.5	–	41610
Equity Ser 2	150.0	157.9	–	41611
Selective Acc	342.3	360.4	–	41612
Prop. Ser. 4	362.7	381.8	–	41613
Equity Ser. 4	152.6	160.7	–	41614
Man. Ser. 4	437.4	460.5	–	41620
Fixed Int. Ser. 4	211.8	223.0	–	41615
Indexed Inv. Ser. 4	140.7	148.2	–	42626
American Ser. 4	313.4	329.9	–	41617
Japan Ser 4	312.2	328.7	–	41619
European Ser 4	119.7	126.0	–	41622
High Inc. Ser. 4	455.5	479.5	–	41618
Money Ser. 4	243.2	256.1	–	41621
Intl Ser. 4	111.8	117.7	–	47021
Custodian Ser. 4	102.7	107.7	–	47022
Pension Funds				

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	Citycode
Life Funds				
Managed Cautionary	102.5	107.9	—	47150
Managed Growth	137.8	145.1	—	47151
Managed Opportunity	141.6	149.1	—	47152
NFMC Target Financial	99.9	105.2	—	47153
Pension Funds				
Managed Cautionary	107.7	113.0	—	47154
Managed Growth	141.9	149.4	—	47155
Managed Opportunity	143.2	150.8	—	47156
NFMC Targt Mngd Pen	1496.0	1576.9	—	47157

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	Citycode
Managed Fund	221.5	233.2	—	43122
Managed Prospect Fund	186.0	195.8	—	43125
Pens Managed	281.4	296.3	—	43128
Pens UK Equity	339.6	351.2	—	43129
Pens Overseas Equity	375.8	390.6	—	43130
Pens Property	163.1	171.7	—	43131
Pens Fixed Interest	174.2	183.4	—	43132
Pens Index Linked	145.8	153.5	—	43133
Pens Deposit	190.2	200.3	—	43134
Barnsdale & P.R.P.				
UK Equity	145.6	153.5	—	43135
Overseas Equity	134.5	141.6	—	43136
Fixed Interest	119.0	125.3	—	43137
Property	135.6	142.8	—	43138
Index Linked	132.4	139.4	—	43139
Deposit	131.9	138.9	—	43140
Managed	141.8	149.3	—	43141
With Profits	135.3	142.5	—	43142

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	Yield Gross	Citycode
Managed	337.1	354.9	—	43163
UK Equity	429.6	452.3	—	43164

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	Yield Gross	Citycode
Property Initial		167.3	—	43430
Money Initial		78.9	—	43434
Special Market Initial		135.7	—	43435
Japan Equity Initial		158.1	—	46762
North American Initial		81.3	—	43437
Pacific Initial		79.7	—	43438
Technology Initial		96.4	—	43439
Nat Resources Initial		56.3	—	43440
European Initial		99.7	—	43442
Residential Prop Init		105.5	—	43443
Swiss Equities Initial		38.6	—	43444
Hong Kong Initial		47.6	—	43445
UK High Inc Eq Init		68.4	—	43446
Int Fixed Interest Init		40.2	—	46408
Int Managed Init		94.8	—	46409
NRP Managed Init		112.9	—	46732
Broker Funds				
High Performance	73.6	77.6	—	43448
Townhill Mngd Fd Acc	51.7	54.5	—	43447
YRA Executive Fd	90.5	95.4	—	43449
£ Global Growth Acc	130.5	137.4	—	47160
£ High Power Money Acc	111.4	117.3	—	47161
IM Balanced		54.4	—	47162
K.F. Speculator Fd		152.2	—	43452
PEP Acorn II		122.4	—	46406
PEP Cautionary		87.2	—	47163
AAFS Int Man Fund		118.9	—	46451
Anderson-Gever Inv Port		102.3	—	47924
Individual Pension Funds				
UK Equity Acc	220.1	232.2	—	43454
UK Fixed Interest Acc	175.0	184.6	—	43455
Intl Equities Acc	236.7	249.7	—	43456
UK Managed Acc	179.5	189.3	—	43457
Property Acc	210.1	221.7	—	43458
Money Acc	136.9	143.5	—	43459
Special Market Acc	273.0	288.0	—	43460
Japan Equity Acc	221.2	233.4	—	46761
North American Acc	125.9	132.9	—	43462

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

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Unit Name	Init Chrg	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Gartmore Luxembourg SA-Contd.						
Dollar Bond		$-	1.95		-	47929
Sterling Bond		£-	1.00		-	47891
European Currency Bond		Ecu-	1.44		7.53	47937
Intl Curr Bond		$-	2.07		-	47892
Dollar Reserve		$-	2.03		-	47893
Sterling Reserve		£-	1.05		-	47894
Deutschmark Reserve		DM-	5.04		-	47895
Yen Reserve		Y-	505.00		-	47896
Henderson Management SA						
21-25 Allée Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462232						
Henderson Horizon Fund						
Japanese Portfolio		$-	13.64	14.41	-	45231
Japan Smllr Cos P'flio		$-	20.79	21.96	-	45232
Pacific Portfolio		$-	11.64	12.29	-	45233
Nth American P'folio		$-	4.59	4.86	-	45235
European Portfolio		$-	8.36	8.85	-	45236
UK Portfolio		$-	3.81	4.14	-	45237
Global Portfolio		$-	9.37	9.903	-	47436
Fixed Int Portfolio		$-	9.04	9.49	-	47437
Inv Cos Portfolio		$-	9.54	10.02	-	-
Dollar Liquidity P'folio		$-	0.8558	0.8580	-	48238
Stlg Liquidity P'folio		£-	1.1715	1.1745	-	48239
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
Hill Samuel Global Portfolio						
Global Equity			$9.45		-	-
Global Bond			$9.35		-	-
Global Managed			$9.39		-	-
Sterling Fixed Int			£9.42		-	-
European Fixed Int			DM8.79		-	-
UK Equity			£9.03		-	-
UK Smaller Co's Eqty			£9.51		-	-
Nth American Equity			$9.26		-	-
US Smaller Co's Eqty			$9.28		-	-
Japanese Equity			Y934		-	-
European Equity			DM9.62		-	-
Pacific Basin Equity			$9.29		-	-
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio		$-	2.437	2.584	0.25	45309
United States Portfolio		$-	2.403	2.549	0.55	45310
United Kingdom Portfolio		$-	1.068	1.133	11.00	45311
Cont Europe Portfolio		DM-	4.266	4.522	0.45	45312
European Portfolio		$-	1.027	1.089	-	47642
Japan Portfolio		$-	0.898	0.954	-	45313
Pacific Portfolio		$-	2.652	2.810	1.00	45314
Gold Portfolio		$-	2.318	2.458	0.35	45315
UK Growth of Income		£-	1.151	1.221	1.90	45316

	Bid Price	Offer Price	Yield Grss	City-line
Lazard Fund Managers—Contd.				
Lazard Japan Fund	$53.45	57.15	-	45390
Lazard Nth Am	$20.24	21.50	1.0	45379
Lazard Sel Port £ Cap	£13.99	14.67	-	45380
Lazard Sel Port £ Inc	£9.17	9.67	12.8	45381
Lazard Sel Port $ Cap	$12.90	13.93	-	45382
Lazard Sel Port $ Inc	$8.52	8.99	8.0	45383
Lazard U.K.	£1.308	1.374	3.0	45384
M & G Island Fund				
Island	647.8	686.7	2.90	45423
(Accum Units)	1261.0	1336.7	2.90	45424
NM Financial Mgmt Intl Ltd				
Mngd. Currency	£6.557	6.889	6.17	45498
NM Portfolio Selection Fund Ltd				
Conscience	£1.029	1.094	1.47	46250
Far East Gwth	$1.324	1.408	0.00	46251
Smaller Co's	£.959	1.02	1.15	46252
Special Sits	£.969	1.03	0.78	46253
Intl Bond	$0.877	0.926	6.38	46254
American Fund	$1.429	2.052	2.25	45502
American Smaller Cos	$1.176	1.251	0.00	45504
Australian Fund	£1.596	1.697	1.78	45506
British Fund	£1.507	1.603	5.45	45508
European Fund	£2.139	2.275	0.93	45510
Gold Fund	£0.782	0.831	0.00	45512
Hong Kong Fund	£1.645	1.750	5.45	45514
International Fund	£1.395	1.483	0.35	45516
Japanese Fund	£2.907	3.092	0.00	45518
Japan Smaller Cos	£5.172	5.502	0.00	45520
Singapore & Malaysian	£1.517	1.613	0.00	45522
Dollar Fixed Interest	$0.989	1.052	6.97	45524
Sterling Fixed Int	£0.878	0.933	11.80	45526
Deutschemark Currency		DM5.028	2.36	45528
Dollar Currency		$1.004	4.91	45531
Sterling Currency		£1.035	10.46	45532
Yen Currency		Y201.1	1.40	45534
Managed Currency	£0.995	1.058	6.94	45536
Nikko Capital Mgmt (Europe) Ltd				
Japan Index Fund	Y3.825	3.862	-	45559
New Generation Fd. $	$22.74	22.97	-	45560
Japan Index Alpha	Y11.884	12.064	-	46350
Jap Sector Rotation	Y9.713	9.858	-	47334
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£11.93	12.67	-	44712
Pacific Basin Fd	$116.43	123.75	-	44713
Western European	$19.92	21.25	-	44714
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.28	1.35	-	45880
Hi Yield Bond	63.4	66.7	14.99	45881
Internat. Spec. Sits	50.1	52.8	-	45882
Marenoudal Fd	84.5	88.8	-	45883

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Uncertainty grips the exchanges

Uncertainty about the D-Mark, yen and sterling led to a move back into the dollar last week. Questions that now require an answer involve German monetary union and inflation; Japanese interest rates; the political fate of the UK Government; and the direction of US interest rates.

UK clearing bank base lending rate 15 per cent from October 5

Midland Montagu Research believes the D-Mark and yen will rally as the Bundesbank keeps a tight anti-inflationary stance and the Bank of Japan raises its discount rate. Midland says this may help stabilise Japanese equities by removing uncertainty.

Morgan Grenfell forecasts a firmer D-Mark in the short term as the Bundesbank raises interest rates, but a return to weakness before the December West German elections. The yen will remain weak in the short term, according to Morgan Grenfell, as the Bank of Japan delays a discount rate rise beyond the financial year ending this month.

Union Discount thinks the market is far too complacent about the UK current account deficit and that the poor state of the ruling Tory party in the opinion polls has yet to be fully appreciated. In its monthly review, Union has downgraded sterling from a buy to at best a hold.

Opinions on US rates vary. Midland fears that further problems in the financial system will force a new cut and a weaker dollar. Morgan Grenfell sees higher German and Japanese rates weakening the dollar in the near term, but the currency will recover as US rates rise later in the year. Chase Investment Bank suggests the Federal Reserve will leave rates unchanged until a clearer picture emerges.

£ IN NEW YORK

Mar.2	Close	Previous Close
£ Spot	1.6475-1.6485	1.6628-1.6638
1 month	0.94-0.93pm	0.94-0.93pm
3 months	2.75-2.72pm	2.75-2.70pm
12 months	9.70-9.60pm	9.65-9.60pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Mar.2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.7	-22.1
U.S. Dollar	68.3	-9.7
Canadian Dollar	102.3	-0.4
Austrian Schilling	109.4	+11.6
Belgian Franc	110.1	-3.3
Danish Kroner	109.2	+3.6
Deutsche Mark	118.2	+24.2
Swiss Franc	109.7	+17.7
Guilder	114.2	+16.1
French Franc	103.7	-12.6
Lira	100.5	-18.6
Yen	125.5	+55.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Mar.1.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6510	1.6417	1.6238	1.5980	1.5550

IMM-STERLING $s per £

	Close	High	Low	Prev.
Mar	1.6442	1.6596	1.6390	1.6576
Jun	1.6174	1.6330	1.6110	1.6308
Sep	1.5928	1.6070	1.5880	1.6062

OTHER CURRENCIES

Mar.2	£	$
Argentina	9545.45-9567.85	5760.00-5770.00
Australia	2.1775-2.1800	1.3130-1.3140
Brazil	51.7890-51.9695	31.2510-31.3510
Finland	6.6465-6.6675	4.0100-4.0200
Greece	266.20-270.70	160.65-163.25
Hong Kong	12.9445-12.9580	7.8090-7.9010
Iran	118.75*	69.50*
Korea(Sth)	1143.15-1161.60	691.30-696.70
Kuwait	0.4865-0.4875	0.2920-0.2930
Luxembourg	58.80-58.90	35.60-35.70
Malaysia	4.4815-4.4950	2.7050-2.7070
Mexico	4518.30-4537.70	2726.00-2736.00
N. Zealand	2.8150-2.8205	1.6975-1.6995
Saudi Ar.	6.2425-6.2535	3.7495-3.7505
Singapore	3.1020-3.1090	1.8730-1.8750
S. Af (Cm)	4.2695-4.2810	2.5820-2.5835
S. Af (Fn)	5.9280-6.0360	3.5840-3.6495
Taiwan	43.25-43.35	26.15-26.20
U.A.E.	6.1165-6.1225	3.6720-3.6730

*Selling rate

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Mar	0.6661	0.6700	0.6651	0.6678
Jun	0.6674	0.6710	0.6664	0.6692
Sep	0.6698	0.6720	0.6680	0.6705

DEUTSCHE MARK (IMM) DM125,000 $ per DM

STERLING INDEX

CURRENCY RATES

CHICAGO

POUND SPOT- FORWARD AGAINST THE POUND

Mar.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6500-1.6665	1.6505-1.6515	0.94-0.92cpm	6.76	2.74-2.71pm	6.60
Canada	1.9705-1.9845	1.9705-1.9715	0.30-0.21cpm	1.54	0.88-0.75pm	1.65
Netherlands	3.18¾-3.22¼	3.19¼-3.20¼	1⅝-1½cpm	5.83	4⅞-4¾pm	5.99
Belgium	58.70-59.50	58.80-58.90	29-17cpm	4.65	77-59pm	4.58
Denmark	10.85-11.12½	10.85-10.86	3-2½orepm	3.01	8¼-7pm	2.78
Ireland	1.0615-1.0790	1.0640-1.0650	0.31-0.26cpm	3.21	0.74-0.64pm	2.59
W. Germany	2.83¼-2.86	2.83¼-2.84¼	1⅝-1½pfpm	6.57	4⅝-4½pm	6.39
Portugal	247.20-250.85	247.20-248.20	8-27cdis	-0.85	128-181dis	-2.49
Spain	181.35-183.40	181.45-181.75	17-9cpm	0.86	20-8pm	0.31
Italy	2088¼-2109½	2093¾-2094¾	6-4lirepm	2.85	14½-10½pm	2.57
Norway	10.85-10.96¼	10.85-10.86	3¾-3orepm	3.70	10-9pm	3.47
France	9.56¼-9.65¼	9.58¾-9.59¾	3¾-3⅝cpm	4.59	10⅜-10pm	4.22
Sweden	10.16½-10.28½	10.16½-10.17½	½-¼orepm	0.37	1½-¼pm	0.44
Japan	247½-249¼	247½-248½	1¾-1⅝ypm	8.13	4¾-4½pm	7.53
Austria	19.93-20.15	19.93-19.96	11¼-10⅝gropm	6.69	32-29¼pm	6.17
Switzerland	2.48½-2.50¼	2.49¼-2.50¼	1¼-1⅛cpm	5.69	3⅝-3½pm	5.69
ECU	1.3945-1.4000	1.3960-1.3970	0.52-0.47cpm	4.34	1.39-1.34pm	3.91

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.80-58.90 Six-month forward dollar 5.33-5.28cpm 12 Month 9.65-9.55cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6500-1.6665	1.6505-1.6515	0.94-0.92cpm	6.76	2.74-2.71pm	6.60
Ireland†	1.5480-1.5590	1.5515-1.5525	0.48-0.43cpm	3.52	1.63-1.53pm	4.08
Canada	1.1895-1.1950	1.1935-1.1945	0.50-0.53cdis	-4.36	1.46-1.51dis	-4.99
Netherlands	1.9220-1.9380	1.9355-1.9365	0.08-0.10cdis	-0.56	0.27-0.32dis	-0.61
Belgium	35.50-35.75	35.60-35.70	3.00-9.00cdis	-1.96	13.00-23.00dis	-2.02
Denmark	6.55½-6.60½	6.57¼-6.57¾	1.95-2.15oredis	-3.74	6.05-6.55dis	-3.83
W. Germany	1.7055-1.7215	1.7185-1.7195	0.02pm-parpfdis	-0.07	0.02-0.05dis	-0.08
Portugal	150.50-150.85	150.75-150.85	90-100cdis	-7.57	320-350dis	-8.90
Spain	109.60-110.25	109.90-110.00	53-58cdis	-6.05	172-180dis	-6.39
Italy	1258-1268¾	1268¼-1268¾	3.60-4.60liredis	-3.88	12.50-14.50dis	-4.26
Norway	6.56½-6.59½	6.57¼-6.57¾	1.55-1.80oredis	-3.05	4.95-5.35dis	-3.13
France	5.77-5.81½	5.80¾-5.81¼	1.01-1.06cdis	-2.14	3.38-3.48dis	-2.37
Sweden	6.14¼-6.18¼	6.15¾-6.16¼	3.20-3.35oredis	-6.37	9.40-9.75dis	-6.21
Japan	149.40-150.05	150.20-150.30	0.16-0.14ypm	1.20	0.39-0.36pm	1.00
Austria	12.07-12.12¼	12.09½-12.10	0.30pm-0.15grdis	-0.22	0.20-1.50dis	-0.28
Switzerland	1.4975-1.5135	1.5125-1.5135	0.11-0.14cdis	-1.00	0.30-0.35dis	-0.86
ECU	1.1895-1.1975	1.1945-1.1955	0.25-0.24cpm	2.46	0.81-0.78pm	2.66

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.60-35.70.

EXCHANGE CROSS RATES

Mar.2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.651	2.838	248.0	9.593	2.498	3.198	2094	1.971	58.85
$	0.606	1	1.719	150.2	5.810	1.513	1.937	1268	1.194	35.65

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

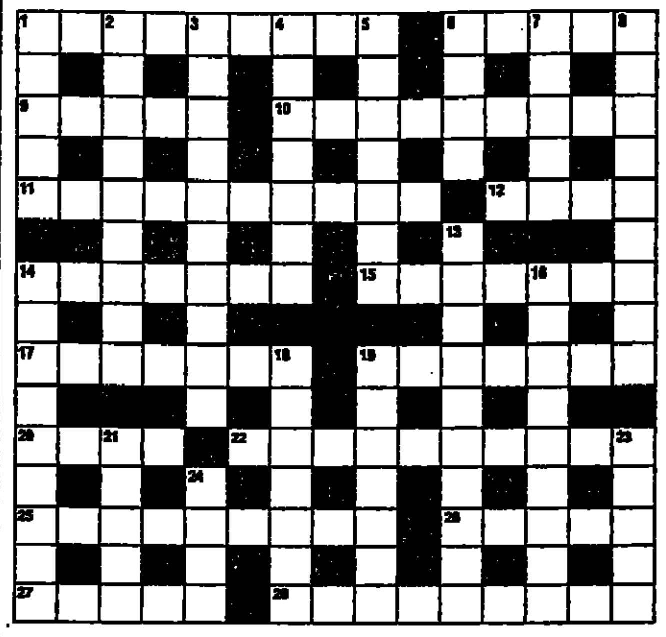
NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY MARCH 2 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY MARCH 1 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	139.31	−8.0	125.10	121.71	−4.5	5.54	140.18	124.79	122.10	160.41	128.28	138.63
Austria (19)	263.17	+44.4	236.33	235.09	+47.0	1.13	264.78	235.70	235.55	266.46	92.84	101.84
Belgium (61)	134.84	−12.8	121.09	118.55	−12.7	4.71	134.70	119.91	118.09	160.02	125.58	132.60
Canada (120)	140.42	−7.7	126.10	121.41	−4.9	3.36	140.24	124.84	120.90	154.17	124.67	133.09
Denmark (36)	244.10	+0.8	219.20	218.29	+0.7	1.47	242.48	215.85	216.35	260.82	165.35	167.12
Finland (26)	147.83	+10.9	132.75	124.56	+10.1	2.33	146.89	130.78	123.62	159.16	118.63	143.66
France (125)	143.74	−7.9	129.08	131.00	−7.5	2.87	142.18	126.57	129.19	157.97	112.57	115.68
West Germany (96)	123.76	+0.0	111.13	110.60	+1.7	1.92	123.41	109.85	110.03	137.01	79.56	85.73
Hong Kong (48)	118.91	+1.5	106.78	120.61	+2.8	4.84	120.18	106.98	120.48	140.33	86.41	128.79
Ireland (17)	187.48	+3.3	168.35	170.21	+3.4	2.47	188.09	167.43	170.11	198.57	125.00	143.41
Italy (96)	92.41	−6.1	82.98	87.54	−6.1	2.62	91.85	81.76	86.79	102.11	74.97	80.48
Japan (455)	162.71	−17.6	146.12	154.54	−13.9	0.53	163.48	145.52	154.64	200.11	159.43	193.50
Malaysia (36)	236.12	+3.1	212.03	246.07	+3.4	2.17	235.00	209.19	244.91	245.32	143.35	154.81
Mexico (13)	379.58	+16.6	340.86	1133.41	+18.4	0.46	383.63	341.50	1145.51	393.90	153.32	155.17
Netherland (43)	131.81	−8.4	118.36	116.47	−7.2	4.74	130.43	116.10	114.95	145.66	110.63	113.61
New Zealand (18)	65.09	−9.7	58.45	58.71	−8.9	5.87	64.62	57.52	58.40	88.18	61.96	71.72
Norway (24)	234.16	+17.2	210.28	208.98	+16.8	1.57	232.18	208.68	206.97	241.98	139.92	172.41
Singapore (26)	192.38	+8.6	172.76	166.14	+7.1	1.75	191.36	170.35	165.26	199.38	124.57	140.31
South Africa (60)	199.40	+1.5	179.06	157.63	+3.7	3.56	198.29	176.52	156.20	251.39	115.36	129.57
Spain (43)	147.05	−9.8	132.05	122.49	−9.4	4.29	146.90	130.76	121.97	169.75	143.14	144.22
Sweden (35)	180.28	−6.1	161.89	164.40	−6.6	2.24	181.99	162.00	165.69	206.95	138.45	153.94
Switzerland (62)	92.40	−1.8	82.97	86.67	−3.6	2.15	91.87	81.78	85.78	99.12	67.81	76.17
United Kingdom (306)	151.16	−4.7	135.74	135.74	−7.0	4.77	151.51	134.87	134.87	164.31	133.28	148.35
USA (542)	135.97	−5.0	122.10	135.97	−5.0	3.50	134.80	119.99	134.80	146.29	112.13	118.63
Europe (989)	136.01	−4.5	122.14	121.86	−5.0	3.57	135.71	120.80	120.96	146.66	112.63	118.64
Nordic (121)	186.97	−0.2	167.89	162.03	−0.5	1.86	186.97	166.44	161.75	201.89	137.95	146.96
Pacific Basin (667)	160.23	−16.8	143.88	151.90	−13.2	0.80	160.99	143.31	152.01	194.72	157.05	188.51
Euro−Pacific (1656)	150.79	−12.7	135.41	140.09	−10.4	1.82	151.11	134.52	139.77	174.18	141.56	160.56
North America (662)	136.14	−5.1	122.25	135.05	−4.9	3.49	135.03	120.20	133.92	146.66	112.79	119.40
Europe Ex. UK (683)	125.47	−4.3	112.67	113.22	−3.7	2.78	124.81	111.10	112.31	135.73	96.80	100.29
Pacific Ex. Japan (212)	130.01	−3.7	116.75	118.26	−1.4	4.86	130.71	116.35	118.31	140.05	111.93	126.85
World Ex. US (1849)	151.03	−12.3	135.63	139.94	−10.0	1.89	151.33	134.71	139.60	173.77	141.49	159.29
World Ex. UK (2085)	143.99	−10.6	129.30	138.77	−8.6	2.17	143.72	127.93	138.18	162.00	136.98	143.18
World Ex. So. Af. (2331)	144.28	−10.1	129.56	138.32	−8.6	2.41	144.07	128.24	137.71	161.84	136.67	143.71
World Ex. Japan (1936)	136.71	−4.7	122.77	130.32	−4.7	3.58	135.99	121.06	129.33	145.52	114.51	119.65
The World Index (2391)	144.61	−10.0	129.86	138.45	−8.5	2.42	144.39	128.54	137.84	162.05	136.68	143.62

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES 1/3/90: Name changes: Schw Aluminium (Bearer & P.C.s) to Alusuisse-Lonza Hldgs. (Bearer & P.C.s) (Switzerland). Trading on the Helsinki exchange has been reduced following a banking employees dispute.

CROSSWORD

No.7,180 Set by TANTALUS



ACROSS

1 Penalties concocted in the Middle East (9)
6 Storehouse made potentially profitable in here (5)
9 Wash pickled meat (5)
10 Herbert, then in Tyneside getting petrol ingredient (9)
11 Put on a new coat? (10)
12 Clever daughter with newt (4)
14 Heartened by food set before journalist (7)
15 Young leader with a new grade makes charge on railway (7)
17 Durmast cultivated to provide seasoning (7)
19 Go by hill-dweller using heraldic term (7)
20 Mail misdirected in Peru (4)
22 Later knowledge gained in the early hours? (10)
25 You may be taken up on it! (9)
26 Make certain there is no right to follow (5)
27 Meeting place in country started relationship (5)
28 Come about as a result of Tate venue maybe (10)

DOWN

1 Post office weight in India is a difficult question (5)
2 Does she do an evening job? (9)
3 Put jacket on Scotsman – a follower of philosopher (10)
4 Took no notice of Gironde complex (7)
5 They map out a fellow feeling (7)
6 Fix the time of appointment (4)
7 Man on board has a gun (5)
8 Pleasure excursion intended we hear as a cure (9)
13 Outstanding person lit one at sea (10)
14 Obliging lot in camp gathering (9)
16 Asian gale blows up but there's no pain! (9)
18 Fed up being delayed – cause to collapse (7)
19 Go before president changes decree (7)
21 Andrew goes after this clown! (5)
23 Article but I object to subject (5)
24 Notice a bad situation (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 17.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,285.9	ANZ $A1	251	44c	7.9	8.1	Feb July	1698
2,443.3	Abbey National 10p	186½	8.5	6.3	–	Apr Oct	5411
1,359.6	Allied Irish Ord	246	[illegible]	3.3	27.11	Dec July	1359
1,233.1	Algemene Fl.10	£11[illegible]	Q28%	7.5	2.5	Aug May	1567
30.7	Anglo Irish	77	Q18.7%	5.7	27.11	Jan Aug	1355
143.7	Ansbacher (H.) 1p	77	2.5	4.5	13.3	April	1624
934.6	Bancaire Cie Fr100	£54¾	[illegible]	2.4	9.5	May Mar	2202
4,579.1	Banco Bilbao Viz	£37¼	Q35.7%	3.6	9.12	Dec June	–
2,880.6	Banco de Santander	£25¾	Q25%	4.1	31.10	Apr Oct	–
864.9	Bank Ireland Ir£1	259	[illegible]	4.5	27.11	July Dec	1360
134.4	Bank Leumi	£19½	–	–	–	–	1740
23.6	Bank Leumi (U.K.)	343	†13.5	5.2	26.2	Mar Sep	1740
859.7	Bank Scotland	114	†3.8	4.4	2.10	Nov June	1742
94.8	Do. 9¼pc Irrd Pf.	94¾	9¼%	13.0	30.10	May Nov	1462
16.6	Bank of Wales	52	2.8	7.2	2.10	Nov Jun	1743
6,573.4	Barclays £1	558	27.4	6.5	14.8	Oct Apr	1754
10.2	Benchmark 20p	19	1.63	11.4	18.9	May Oct	1802
50.1	Brown Shipley £1	314	†10.5	4.5	27.11	Jan Aug	1983
79.4	Cater Allen £1	413	23.5	7.6	27.11	Jan. July	2081
32.3	Chancery	159	†8.0	6.7	27.11	Jan July	2102
457.2	Commerzbk DM10	£20¼	Q18%	3.3	27.5	May	1046
314.4	C'hgn. Hbk. Kr100	£23¾	Q15%	6.1	22.3	March	2237
28,157.1	Dai Ichi KBk Y50	£18¾	†Q16%	0.3	4.7	June	3221
7,980.8	Deutsche Bk DM50	£[illegible]	Q24%	1.6	11.5	May	2345
139.7	Espirito Santo	£19¼	Q75c	2.3	–	June	5187
347.0	First Nat. Fin. 10p	220	13.0	7.9	15.1	Mar Aug	2571

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
277.5	DAF N.V. FL.5	£9¾	Q102.5	7.2	–	–	4773
–	General Mtrs Units	236	Q25%	5.5	12.2	Mr Jn Sp D	2678
1,553.6	Jaguar	849	411.0	1.7	18.9	May Nov	3019
8.95	March Group 5p	40	40.64	–	15.8	Sept Apr	5284
4,482.8	Volkswagen DM50	£191¼	Q20%	1.8	–	July	–
1,886.8	Volvo Kr25	£34⅞	Q56%	3.7	27.4	May	4410

Commercial Vehicles

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
20.5	ERF (Hldgs)	211	15.0	9.5	27.12	Jan Aug	2997
60.5	Plaxton Grp	160	H8.5	7.1	27.6	Dec Jun	3675

Components

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.76	Abbey Panels	430	3.5	1.1	15.1	Sept Feb	1501
18.8	Airflow Streamlines	220	6.0	3.6	30.10	Jan July	1538
21.8	Bostrom 5p	190	L5.1	3.6	2.10	May Nov	1438
496.8	Dowty 50p	201	10.0	5.3	27.12	Mar Oct	2371
125.7	FR Group	170	15.54	4.3	30.10	Dec. July	2627
131.9	Kwik-Fit Hldgs. 10p	82	2.4	3.9	2.10	Nov May	3113
991.8	Lucas Inds. £1	580	25.0	5.7	30.10	Jun Jan	3252
3.98	Spice 5p	15	4p2.2	‡	4.7	August	4075

Garages and Distributors

PROPERTY – Contd

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

OIL AND GAS

WATER

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.87	Restaminster 5p	53	a1.85	4.6	–	Mar Oct	5228
0.84	Scott Pickford 10p	12	d0.38	4.2	17.7	August	5062
9.51	Seacon Hldgs	137xd	3.15	3.1	26.2	Oct Apr	3968
4.33	Semperent	31	–	–	–	–	1645
5.80	Sleepy Kids 5p	29	–	–	–	–	5068
3.21	Swanyard Studios 1p	2¼	–	–	–	–	4666
7.93	Tavern Leis. 20p	31	♦	–	–	–	4867
8.62	Tomorrows Leisure 20p	77	–	–	–	–	4248
2.02	UPL Group 10p	50	‡2.75	‡	22.5	Dec. July	4362
7.65	Unit Group	144	5.0	4.6	11.12	Jan Aug	4357
13.9	Video Magic Leis. 1p	84	W2.0	3.2	26.1	Jan July	5071
4.32	Vista Ents 5p	4½	–	–	–	–	3994
8.56	Vizcaya Hldgs 5p	10	–	–	–	–	4193
59.2	Whitegate Leisure 20p	38	0.25	0.9	12.2	April	1105
1.61	Do. Wrrnts	24	–	–	–	–	1116
20.1	Wilton Group 1p	6½	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- £ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p γ	85	
Craig & Rose £1 γ	820	
Finlay Pkg. 5p γ	59	
Holt (Jos) 25p γ	1345	

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£96¼	
9pc Cap Ln. 1996	£90½	+¼
Fin. 13% 97/02	£107½	
Arnotts	440	
Carrol (P.J.) γ	160	
Hall (R. & H.)	185	
Helton Hldgs γ	92	
IRG	210	
United Drug	168	+3

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	48
Comm Union	40
Courtaulds	31
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	28
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Stock	p
Brit Land	32
Control Secs	5
Land Securities	46
MEPC	44
Mountleigh	24

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	18
Ultramar	31

Mines

Stock	p
Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1850 per annum for each security.

4pm prices March 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	24¾	AAR	.48	1.5	19	155	31⅝	31⅜	31⅜	
9¾	8½	ACM n	1.26	14.		79	9⅛	9⅛	9⅛	–⅛
11⅝	10½	ACMIn	1.28	11.		658	11¼	11⅛	11¼	
9⅞	7⅞	ACM M	n1.01	12.		335	8⅛	8⅛	8⅛	
12⅛	11½	ACMMM				316	11⅞	11¾	11¾	–⅛
11½	10	ACM Sc	1.28	11.		1022	11⅛	11	11	–⅛
9⅞	8⅛	ACMSp	1.01	11.		409	9⅛	9	9⅛	
21⅞	11½	AL Lab	.16	.7	22	453	u22¼	21½	21½	+⅛
4⅛	3⅛	AMCA	.13e	3.7	41	94	3⅛	3⅛	3⅛	
6⅛	3⅞	AM Ind			7	681	3⅝	3½	3½	–⅛
23½	16⅞	AM In pf	2	12.		23	16⅞	16½	16½	–⅜
107¼	52½	AMR			9	6098	61¾	60¾	61⅝	+⅞
5½	3⅛	ARX				113	3½	3⅛	3½	+⅛
72⅞	39	ASA	3a	5.7		567	52⅞	52	52⅛	–⅝
70⅞	50⅞	AbtLab	1.40	2.2	17	3574	65⅝	64⅝	65	+½
17⅛	11⅛	Abitibi g	.50			65	13	12⅞	12⅞	
13	8⅞	AcmeC	.40	4.1	11	35	10	9⅞	9⅞	–⅛
9⅛	6	AcmeE	.32	3.6	12	11	9	8⅞	9	+⅛
38½	27	Acuson			21	606	33⅝	32⅞	33⅝	+½
16⅛	12⅞	AdaEx	2.09e	13.		118	15⅛	15½	15⅛	+⅛
15⅞	7¼	Adobe				105	13	12⅞	12⅞	
20¼	16⅞	Adob pf	1.84	9.8		6	18⅞	18⅞	18⅞	
21⅞	19⅞	Adob pf	2.40	11.		33	21⅛	21⅛	21⅛	–⅛
10½	5⅞	AMD			6	8855	9⅛	8¾	9	+⅛
35	28⅛	AMD pf	3	10.		144	30	29⅞	29⅞	+⅛
10⅞	5	Advest	.16	2.4	9	12	6⅞	6⅞	6⅞	+⅛
52½	48½	AetnLf	2.76	5.4	9	1973	51½	50⅞	51	
14	9⅞	AGPb	.24	2.2		116	10⅞	10½	10⅞	+⅛
25	16⅛	Ahmans	.88	4.6	10	2849	19⅛	18⅞	19⅛	+⅛
3⅞	2	Aileen				30	2⅛	2⅛	2⅛	+⅛

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1/2	7-64	Regal				81	11-32	11-32	11-32	-1-32
6 1/4	6 3/8	ReglFn	.29e	3.4		68	8 1/2	8 3/8	8 1/2	+ 1/8
15 5/8	12 1/2	ReichTg	1.75e	12.	8	24	14 1/2	14 1/2	14 1/2	+ 1/8
8 5/8	4 1/2	RelGrp	.32	7.1	16	84	4 1/2	4 3/8	4 1/2	
24 3/4	16 1/4	Repsol	n.27e	1.2		985	22 7/8	22 1/2	22 5/8	+ 1/8
5 3/4	4 1/2	RepGyp	.20	4.0	56	10	5	5	5	+ 1/8
52 5/8	42 3/4	RepNY	1.32	2.7	1208	888	48 3/8	48 1/4	48 1/4	- 1/2
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

4pm prices March 2

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices March 2

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WillamT	1.60a	7 311	51 1/2	50 3/4	51 1/2	+ 1/2
WmSon s		27 7	28 3/4	28 1/4	28 1/4	- 1/4
WilmTr	1.44	12 1083	39 1/2	38 1/2	39 1/2	+ 3/4
WiserO	.40	27 804	20 1/4	19 5/8	20 1/4	+ 3/8
Wolohn	.28b	9 621	15 1/4	14 3/4	14 3/4	
WrvEx h		3056	13 1/4	11 3/4	12 1/4	-1
Wortng	.68	16 1485	20 3/4	20 1/4	20 5/8	+ 3/8
Wyman	.80	131	14	13 1/2	13 1/2	
-X-Y-Z-						
XL Dta s		4 3704	8 1/2	7 1/2	8	+ 1/2
XOMA		1867	21	20 1/2	21	+ 1/4
Xicor		183 1596	3 1/4	3	3 1/4	+ 1/8
Xyvan		218	2 1/4	2	2 1/4	+ 1/4
YaoEnS	1.14e	13 x11	22	21	21	- 1/4
YelowF	.76	40 1114	26 1/4	25 1/2	26 1/4	+ 1/2
YorkRs		16 92	9 5/8	9 1/4	9 3/8	- 1/2
ZionUt	1.44	12 22	27 1/2	27 1/4	27 1/2	+ 1/4

The Business Column

Hunting the elusive global concept

"ARE WE in a global business?" is a question which confronts managers in an ever wider range of industries. Yet too often it yields the wrong answer, leading to over-ambitious acquisition programmes and profitless expansion across frontiers.

A paper* by John Kay, director of London Business School's Centre for Business Strategy, suggest such pitfalls occur because companies start from the wrong premise. *Instead of dreaming of boundless growth*, they should ask what is their "strategic market" – the smallest area in which they can be viable competitors.

This differs widely between sectors and is governed by the interplay between the types of products or services companies supply and the markets in which they operate. Thus European carmakers such as BMW have achieved a profitable "strategic market" by selling a narrow range of luxury models on a wide spread of geographic markets.

Volume manufacturers, conversely, have sold mostly in Europe but have a wider model range. In some sectors, single-product companies can make a living on just one national market: in soft drinks, local brands sold in *small volumes manage to* co-exist with global ones such as Coca-Cola.

Industry structure

One of Kay's central themes is that the characteristics of demand in a given market frequently correspond only tenuously to those of industry *structure. White goods* manufacturers produce both refrigerators and washing machines, which fulfil quite different consumer needs; yet washing machines cover only part of the market for clothes care.

Geographically, there is a similar mismatch. Manufacturers can operate successfully across borders without a single world market. In many industries, barriers which segregate national markets at the consumer level do not unduly restrict producers' freedom to locate production wherever economic efficiency dictates.

Kay goes so far as to argue that market fragmentation is actually in producers' interests because it gives them fatter margins. "The potential benefits to producers from internationalisation come not from the creation of international markets but from the creation of international industries," he writes.

The lesson of all this for companies is that they should not rush headlong into globalisation at all costs but should seek first to determine which definition of the "strategic market" best fits different parts of their activities.

Kay *suggests* managers should distinguish between three main categories: the structure of the whole company (organisation); the operation of individual business units (planning); and production. In each case, they should ask whether their particular industry operates at a global, international, national or local level.

Scale economies

They should then ask whether the economies of scale or scope which they achieve at this level of operation are offset by the impact of market segmentation. The answer to this question should determine the "strategic market" for each type of activity, and the geographic basis on which it should be structured.

Applying this test to the car industry, Kay finds its optimum organisation to be global, production continental and planning somewhere in between. Accountancy, on the other hand, has a mixture of global and local organisation, local production and both local and national planning.

In challenging some of the hyperbole *about globalisation*, Kay performs a useful service. The weakness of his approach is that it describes the world as it is and takes little account of how it may develop.

BMW may have done brilliantly in *its specialist niche* in the past, while Europe's volume carmakers survived without selling much in the US. But how defensible will their "strategic markets" remain as Japanese competitors move rapidly up-market and steadily extend their mass-production capacity around the globe?

Guy de Jonquières

*LBS Business Strategy Review No. 1

MONDAY INTERVIEW

Discreet charm of the Bank

Sir George Blunden, Deputy Governor of the Bank of England, speaks to **David Lascelles**

"ASK ANYONE around the *world which is the supreme* central bank, and many would say the Bank of England."

Sir George Blunden, the Deputy Governor, apologises for the arrogance of this statement. But only slightly, because he *happens to be* profoundly convinced of its truth.

"Britain's reputation in many areas has declined. But the two things in which we have not lost our international prestige are the monarchy and the Bank of England."

Trumpets would have been appropriate at this moment, but there was just the afternoon hush of the Bank's inner parlour, and the ticking of a clock on the marble mantlepiece. *Sir George* could be forgiven a certain sentimentality. He was speaking only a few days before leaving an institution to which he had devoted his entire working life. And 45 years in Threadneedle Street would give *anyone* a sense of history.

If the Bank does hold a special place in the world, Sir George can certainly claim some of the credit, though as a British civil servant in the classic mould he would never be so presumptuous. He prefers to retreat behind the dry humour of the cultivated government official. "Don't expect me to say anything interesting," he says. "I've already forgotten everything."

Recalled suddenly from semi-retirement five years ago when Sir Kit McMahon, the previous deputy, left to run the Midland Bank, Sir George has enjoyed an unexpected but eventful epilogue to his central banking career. Big Bang, the Guinness and Blue Arrow scandals, the sagas of UK monetary policy, Third World debt, *European Monetary Union: all* have crossed his path. His role has been that of the professional behind-the-scenes central banker, supporting the public face of the Bank presented by Mr Robin Leigh-Pemberton, the Governor – a role which he has played in a low but firm key.

But even allowing for a certain prejudice in the *matter*, how can he be so sure that the Bank still occupies a special place in the world? Because, he replies, no other bank enjoys so much effective power or prestige. The Bundesbank may rule Europe with the D-Mark, "but they are not even allowed to decide how much to pay their own staff." The Federal Reserve, too, is tied down by laws and statutes, and has to share banking power with other government agencies.

"*It is* wrong to think that there was a golden age when the Bank of England ruled the City with a twitch of the Governor's eyebrows," he said. "We only ever had that sort of power over the accepting houses and the discount market. When the clearing banks arranged their mergers in the *1960s we did not even have the* power to stop them.

"But now I think we are more powerful."

What has changed is the enactment of banking legislation in the last 10 years which has formalised the Bank's statutory role. "In practical terms it is very useful to have legislation in the background. It *ensures that people come to* talk to us to tell us about their plans and obtain our approval."

Information and judgment are probably the most effective sources of the Bank's power over the City; it has been careful not to be too heavy-handed with its legal authority. One case where it did use "old fashioned methods" was the Guinness affair when it forced the resignation of senior executives at Morgan Grenfell, Guinness's merchant banking advisers, during the scandal-ridden takeover of Distillers. "It was an unpleasant thing that we had to do but I have no doubt that it was right," said Sir George. "It did a great deal to establish a more responsible and moral attitude in the City. Had it been left to the law courts it would *still* be unresolved."

A knottier issue is the matter of the Bank's independence, a subject to which Sir George has clearly given much thought over the years. Within the bounds of the City itself, the Bank has considerable independence, he says, because its role is not defined by statute. *That means it can involve* itself in anything it wants, be it purging the Lloyd's insurance market of scandal or mediating between the warring parties at Eurotunnel – though in a helpful rather than prefectorial way. "Because we're independent, people come to us when they're in trouble. They come to auntie *and auntie helps them. They* find us wise, sympathetic and helpful – but not rich." Harder to answer is the matter of independence from Whitehall, a relationship where the Bank plays a conspicuously more servile role than its German or US counterparts.

Sir George believes that the debate about an independent central bank has been overshadowed by the mistaken belief that "giving monetary policy to the central bank will solve all our problems." Japan is the supreme example which disproves that theory. The central bank there is totally subservient to the Ministry of Finance, yet Japan has an enviable record on inflation control. By contrast, the Federal Reserve Board's independence of the executive branch of government has not blessed the US with exceptionally low inflation. "The most important thing," says Sir George, "is to have people who think inflation is a deadly sin."

It so happens that Sir George does think that the central bank is the best place to run monetary policy, but only in the context of a government that is also committed to *sound money. In his ideal* arrangement, the central bank would provide the necessary insulation from politics for the issuance and control of money. This would either be done nationally or, in the context of European monetary union, by a European central bank. But there would have to be accountability. "Something as *important as this* to people's lives should not be entrusted to anyone without a high degree of accountability." And that would be to Parliament, or should union occur, to Strasbourg. (For the record, he toes the Bank line on monetary union, favouring closer sterling involvement in the exchange rate mechanism while urging caution on Emu.)

As it is, he has been frustrated at times with the Bank's limited influence on monetary policy in Britain. "We try very hard to get our opinions across. We try very hard but it's not our decision in the end." Some of these frustrations must have been with Nigel Lawson, the previous Chancellor, of whom Sir George nevertheless says: "He was the most professional Chancellor we have had. I'm very lucky to have worked with him."

Sir George's career has been more with the supervisory side of the Bank's work than monetary policy, and his viewpoint reflects his interest in institutional matters.

For example, he considers that one of the most important events of his deputy governorship was a little-known meeting in September 1986 between the Bank's top officials and Mr Gerry Corrigan, the President of the New York Fed. That led to the UK-US capital adequacy agreement, subsequently developed into the Basle accord which now governs all major banks worldwide and has made banking the first industry to be subjected to international standards.

Alongside that was the Bank of England's own initiative to try to bring some order to the confused question of provisions for Third World loans: the matrix which provides a formula for banks on how much they should put aside. "This was a recognition that the debt problem was not going to run away quickly."

These two initiatives were big steps forward in strengthening the banking system. But Sir George also believes that Big Bang played a *significant* role in bolstering the fabric of the City of London. When the market crash came in October *1987, Sir George found himself* running the Bank in the Governor's absence (on a visit to eastern Europe). "While Alan Greenspan was having to issue public statements, I found there was no need to say the same here because Big Bang had modernised the securities houses and made them far better capitalised. In the olden days, rescue parties *would* have been needed to help out the jobbers."

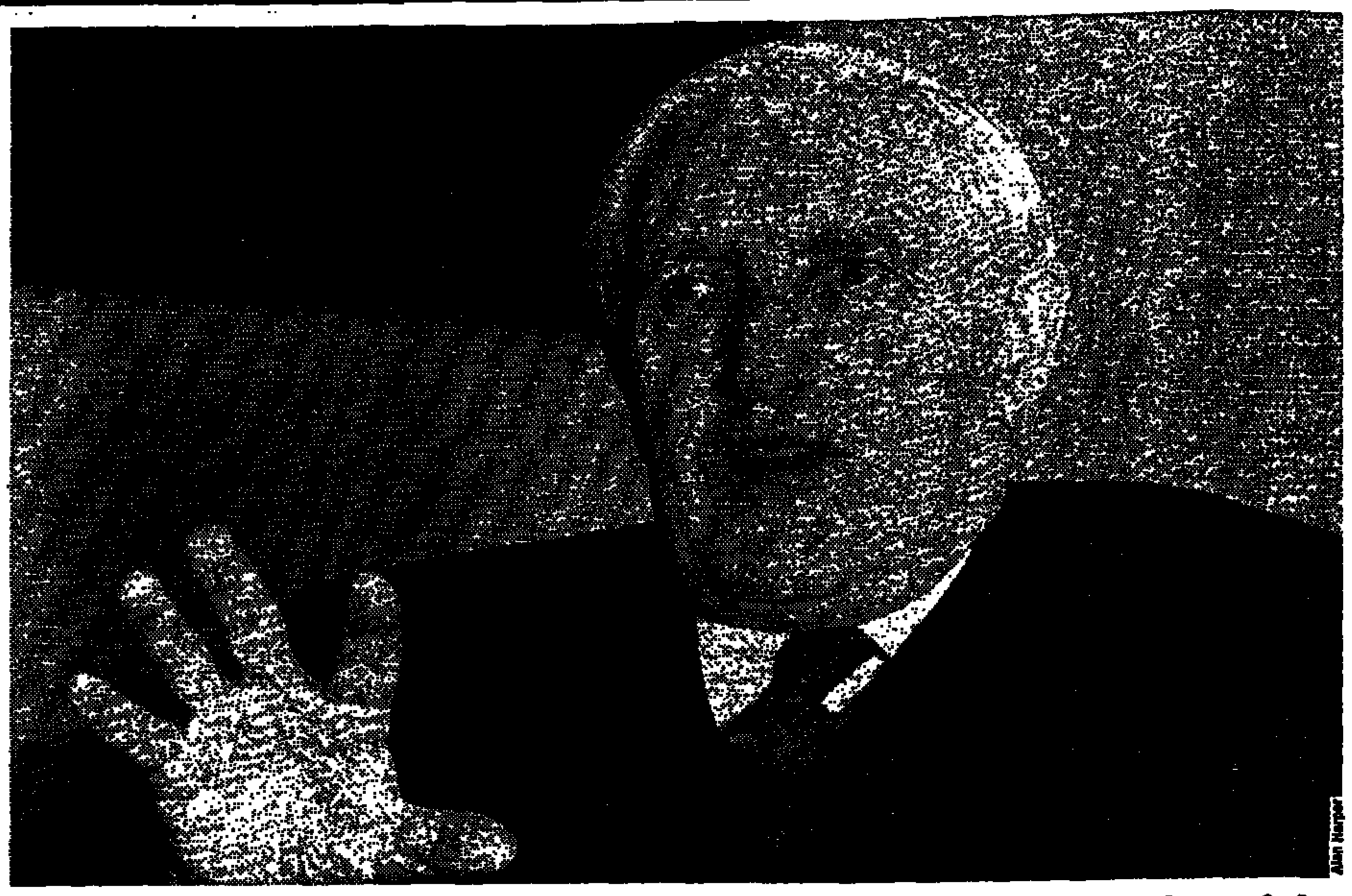
But he does regret Big Bang in one respect: for spawning a complicated practitioner-based regulatory system. He would prefer to see the securities industry being supervised in the same way as banks, by a body of professionals advised by practitioners.

"Practitioners don't have the time to run their own businesses and be the administrators of a supervisory system," he says. But he hastens to add that he is not advocating a US-style Securities and Exchange Commission because the SEC has no practitioner input. "I want to see something in between." He thinks it will come in the long run because the professionals will build up a stronger body of expertise than the practitioners who *come and go.*

The job of protecting and enhancing London's international financial role is one which he thinks will be high on the Bank's future agenda. It is vital, he says, that the financial *services* directives being prepared in Brussels be shaped by international considerations rather than the internal preoccupations *of the EC or* individual member states.

After the recent collapse of Drexel Burnham, he is more convinced that the US will reform the Glass-Steagall Act to permit banks to infuse their capital into weakened Wall Street. And that means more powerful competition in the international market.

Sir George himself will be observing developments from the sidelines. He has accepted the chairmanship of the newly formed London Pension Fund Authority, and is treasurer of the Imperial Cancer Research Fund which has a £50m a year budget. But his real retirement ambition is "to sit and dream about my lost youth."


Alan Harper

'The important thing is to have people who think inflation is a sin'

PERSONAL FILE

- **1922** Born. Educated City of London school and University College, Oxford
- **1947** Joined Bank of England
- **1955-58** Seconded to IMF
- **1968** Seconded to Monopolies *and Mergers Commission*
- **1973** Sets up the Bank's new Banking Supervision *Division*
- **1976** Appointed Bank director
- **1984** Retires from Bank but remains non-executive director
- **1986** Recalled to become Deputy Governor

An inconstant and anomalous law

JUSTINIAN

If the attempt to persuade the High Court to sanction a prosecution for blasphemy of Mr Salman Rushdie and the publishers of The Satanic Verses is doomed to *failure, the Muslim supplicants* may justifiably blame the politicians and parliamentarians for legislative inaction over the years. The anomaly that a variably defined crime protects only Christianity against attacks amounting to obscenity or indecency has constantly been urged as ripe for reform.

The inconstant common law *of* blasphemy has passed through several phases. The Emperior Justinian cracked down on blasphemy in 6th century Rome on the grounds that it imperilled the public safety by provoking the anger of God. Later Christian rulers proceeded against blasphemy on the different ground that an attack upon religion was an attack upon the State. It also had the intention to keep unbelievers out of positions of public trust. Insofar as it did not tend to a breach of the peace it was considered to be a matter for the Ecclesiastical Courts. By the 17th century it was held *that Christianity was part and* parcel of the laws of England, and therefore to reproach the Christian religion was to speak in subversion of the law and the State. This view was applied throughout the next *two centuries as a precedent* for convicting persons of what was in reality heresy unaccompanied by any offensive or indecent expression. The publication of Tom Paine's Age of Reason in 1841 was held to be blasphemous. So too, was Shelley's Queen Mab.

By the second half of the last century the judges had concluded that to constitute the offence of blasphemous libel there had to be something *indecent or offensive* in the words used about the Christian religion. The classic definition was "matter relating to God, Jesus Christ, the Bible or the Book of Common Prayer, intended to wound the feelings *of mankind or to excite* contempt and hatred against the Church by law established."

Publications intended in good faith to propagate opinions on religious subjects which the publisher regarded as true were not blasphemous merely because the publication was likely to wound the feelings of those who believed such opinions to be false. So long as the decencies of controversy were observed, even the fundamentals of the Christian religion could be attacked without a person being guilty of blasphemy. The Lord Chief Justice, Lord Coleridge, laid down the rule that a publication was not blasphemous when "what is aimed at is not insults to the majority of Christian opinion *but a real, quite, honest pursuit of truth.*" If the anomaly of exclusivity for the Christian church was plain for all to see, the judges appeared to give the crime of blasphemy its legal quietus. When in 1930 a Bill *was introduced to abolish the* offence, the abolitionists took the sensible view that when it comes to a law of a kind you dislike, better the old and toothless predator than a newly hatched gnat. The Bill *was dropped.*

The obsolescence of the crime fortified the view that the issue could safely be left dormant. For more than the first half of this century there was only one prosecution. But *10 years ago* a private prosecution succeded against the magazine Gay News for its publication of a poem by a distinguished professor of poetry which depicted a Roman centurion's homosexual *fantasies about* the Crucifixion of Christ. The crime of blasphemy might have had only a momentary revival had the House of Lords in its judicial capacity not taken the opportunity of redefining the offence in broad terms eliminating any need on the part of *the prosecution to prove the* intention on the part of the accused to vilify Christianity. The defence in that case was unable therefore to advance its claim that so far from vilifying Christianity the author had intended his poem to be an affirmation that Christ's love extended to homosexuals. The revival of the offence of blasphemy was given further increase by Lord Scarman, one of the majority judges, who even suggested that the law *should be extended to* give protection to all religious beliefs.

A Bill to abolish the offence of blasphemy was subsequently rejected by the House of Lords, although it had support from some Bishops. The Law Commission vacillated over what it ought to recommend to government and parliament. The European Commission of Human Rights, to which the Gay News case was taken, declined to admit the case for adjudication. The Gov*ernment repeatedly declined to* do anything. Somehow it was thought that the law would revert to inanition.

It does little credit to a legal system or to the safeguarding of civil liberties that a criminal *offence should be subject to* the vagaries of judicial interpretation, however infrequent the occasions. Still more is it absurd, at least in pluralist society, that differing religious beliefs should be treated unequally. Whatever may be said about the crime, a blasphemy law cannot and should not prevent blasphemy from being spoken or written. Even the most deadly sarcasm, the most scathing ridicule, or the fiercest invective can safely be permitted to anyone who is able to wield them with sufficient literary or oratorical skill. It is when the blaspheming actually incites a breach of the peace that society needs to take action. And that it can do under the general law of public order.